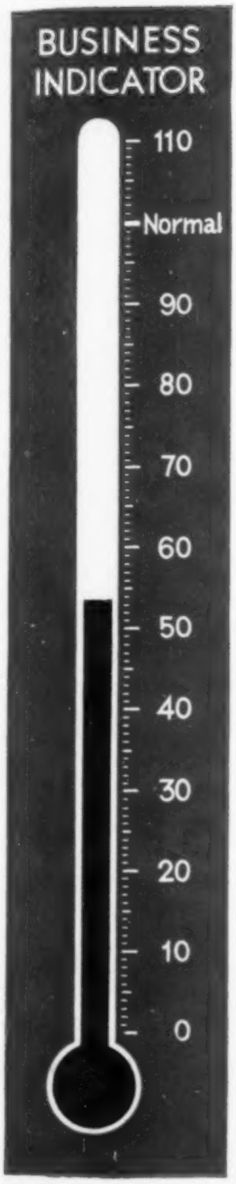
SEPT 7, 1932

THE BUSINESS WEEK



Strength in commodity prices, gradually spreading throughout the range of basic products, remains the most important and promising portent of economic convalescence in the week's record. . . . Second to it in significance has been the steady recovery of bond prices during the past two months, which has at least prepared the way for a renewed flow of capital into new enterprise upon which business expansion will depend. . . . The steep rise in stock prices in recent weeks has left the market in increased need of prompt support from more definite evidence of increasing business activity than is so far forthcoming in the general indicator. . . . Perhaps for this reason security markets generally are showing signs of fatigue after their continuous and rapid climb. . . . They have undoubtedly had fundamentally favorable developments in the financial field to feed upon, but it has been an abnormally lean season for stimulating business news, and the closing weeks of August have been specially stagnant. . . . After Labor Day the fall seasonal influences are expected to make themselves felt this year with somewhat more force than usual, but to reinforce the favorable factors still in the foreground of the picture, more convincing signs of member bank credit expansion are called for. . . . The Administration's banking and industrial committee agencies, upon which such expansion now principally depends, are still in the organization stage, and it will take time for their effective influence to appear in the business news or the indicators.

20 CENTS McGRAW-HILL PUB

...ELEVEN YEARS of SERVICE

in a BLIZZARD of POWDERED LIMESTONE!!

SKF Equipped Pennsylvania Crushing Mill of the type used at the Thomasville Lime & Stone plant, Thomasville, Pa., since November, 1921

SKF Pillow Blocks as shown in major illustration provide a perfect housing for SKF Bearings. They keep oil in and dirt and other foreign matter out.

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Industry does not assign its TOUGH jobs to bargain-counter bearings . . . not for example, where giant crushing mills are concerned . . . or railway journals...or great river dredges...

These are jobs for bearings that are going to stand up . . . take their punishment . . . and LIKE it. Industry knows the difference between promises and performance . . . where bearings are concerned.

And so, eleven years ago, almost as a matter of standard practice, SKF Bearings went into the Pennsylvania Crusher shown here. In spite of the varying loads to which crusher bearings are subjected . . . in spite of the fact that the SKF Bearings on this job worked in a veritable blizzard of powdered limestone all during that period, the bearings are still in service...still in perfect condition.

SKF Bearings are built to out-perform on the toughest kind of jobs, the brute jobs of industry...so they provide a MARGIN of performance on almost any kind of task to which they are assigned. SKF Industries, Inc., 40 East 34th Street, New York, N. Y.

SKF

BALL AND ROLLER BEARINGS

2911

A PROMISE IS ONLY A PROMISE...*PERFORMANCE* IS HISTORY

THE BUSINESS WEEK (with which is combined The Magazine of Business) September 7, 1932, No. 157. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N.Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. \$7.50 per year, in U.S.A. and possessions; \$10.00 or £2.10s. per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N.Y., under the act of March 3, 1879. Printed in U.S.A.

Bus. Adm.

This Business Week:

Recovery

Representative business leaders the President summoned to Washington summarized a recovery program in 6 points, endorsed it, named chairmen to work for each point, exchanged experiences, departed for the 12 Federal Reserve Districts to get things going on a national scale. *(p. 5)*

The Home Loan Bank board regards its task as a great humanitarian undertaking; it is moving swiftly toward achieving its ambition to have the new banks in operation by Oct. 15; in the meantime is asking—and getting—a 60-day moratorium on foreclosures. *(p. 6)*

Congress did not define very accurately what it meant by "self-liquidating" projects to which the R.F.C. might lend money; the R.F.C. decides it means projects whose revenues, not taxes, will pay out in 10 years. There will be plenty of applicants. *(p. 6)*

Coal

Anthracite mine operators believe they must deflate the price of their commodity to the general level, or lose markets entirely. So they are asking miners to take a wage cut of 20% to 40%. *(p. 7)*

Farmers

The "strike" of Western farmers is the expression of the urge to "start something" in resentment of hard conditions—prices, taxes, mortgages. It can hardly affect prices, but it may have deep significance, nevertheless. *(p. 8)*

Marketing

The last chapter in *The Business Week's* study completes the picture of the American consumer market, emphasizes the importance of the little buyer to all with goods to sell. *(p. 16)*

Canners will put up less of the four great staples—corn, peas, tomatoes, beans—than usual, but consumer buying is less, too, so it is doubtful whether carryovers will be much reduced in the next 12 months. *(p. 9)*

1847 Rogers Brothers offer a merchandising novelty—trade-in allowances on table knives. *(p. 11)*

Stutz, maker of higher priced motor cars, contemplates diversifying with the Pak-Age-Car, an ingenious delivery vehicle. *(p. 13)*

On Labor Day, toy buyers think of Christmas. That is why the doll makers of New York (center of the domestic industry) pick this time for a strike. *(p. 14)*

Americans are drinking more tea, but no less coffee. We like our tea black and cheap. *(p. 9)*

Latest shot of the canny G. W. Hill, who keeps the tobacco industry in the air, is 5¢ Cremos at 3 for 10¢. Wholesalers and retailers, as well as other manufacturers, are upset. *(p. 10)*

Finance

Many states have bank moratoria; Wisconsin goes a step further, gives them state blessing. Its law now faces a court test. *(p. 14)*

Transport

Attacking the rail-motor car competitive problem by developing a combination vehicle that can run on tracks or roads, Twin Coach Corp. believes it has an answer to the railroads' branch and feeder line problem of bus competition. *(p. 13)*

Over protests from barge lines and trucks, the I.C.C. decides the railroads' new low rates on cotton are all right. *(p. 12)*

Tank cars today carry more food than petroleum—an interesting evolution emphasized by General American Tank Car's purchase of the Armour and Penick & Ford fleets. *(p. 12)*

Foreign

Cables show recent optimism sustained. In Germany, industry reacts favorably to government-subsidized reconstruction. In Britain, the textile lockout involves 150,000 now, may affect 500,000 workers. In France, business worries over curtailed public purchases. Italy gets ready for conversion. Recovery plans brighten general prospects everywhere. *(Survey, p. 25)*

New and strict rules regulating competition and trade practices are embodied in the Canadian Competition Act effective Sept. 1. American firms will do well to study its terms. *(p. 11)*

War emergency persuaded British textile interests to consent to protection for British dyes. But now British dyes are in the world cartel. They have jacked up prices, and the Color Users' Association protests bitterly. *(p. 24)*

Figures

Seasonal gains in bituminous coal, electric power and carloadings reinforce the confidence built up by the strength of commodities. Public construction picks up speed again. Currency is still backing into the banks. Earnings figures accelerate the drive for coal and rail wage cuts. *(p. 28)*

In this issue:

"Red Ink Selling," Part 20 of The American Consumer Market

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending September 3, 1932

The Government Ties Business Into the Recovery Program

Washington conference outlines part private effort must play in the "counter-offensive"

AMONG the most important steps in the Administration's comprehensive program for business recovery is the stimulation of private initative, without which governmental efforts must prove futile, and the coordination of private efforts with one another, and with the government's activities.

A long stride was taken toward accomplishing these ends at the conference of industrial and banking leaders in Washington Aug. 26. Strictly speaking, it was a conference of the industrial and banking committees of the 12 Federal Reserve Districts, the committees that were set up to see what could be done to put available credit to work to revive business. More broadly, the conference represented business as a whole, as the mere roll call of participants made clear. The conferees were told by the President that "the battle of Chateau Thierry is over, but the battle of Soissons lies ahead." The time for defense is past; there must now be a counter-offensive. He outlined some of the tasks in which private effort can best function.

Secretary Mills reduced the program to 6 points. The conference adopted the program, named a chairman to head up each of the 6 activities, and a chairman of the whole. The points:

1. The problem of making available credit affirmatively useful to business.

2. Increased employment on railroads and stimulation of industry through expansion of maintenance of equipment and purchase of new equipment, in cooperation with the Interstate Commerce Commission and the Reconstruction Finance Corp.

3. Expansion of capital expenditures by industry in the way of replacement of obsolete and wornout equipment and otherwise.

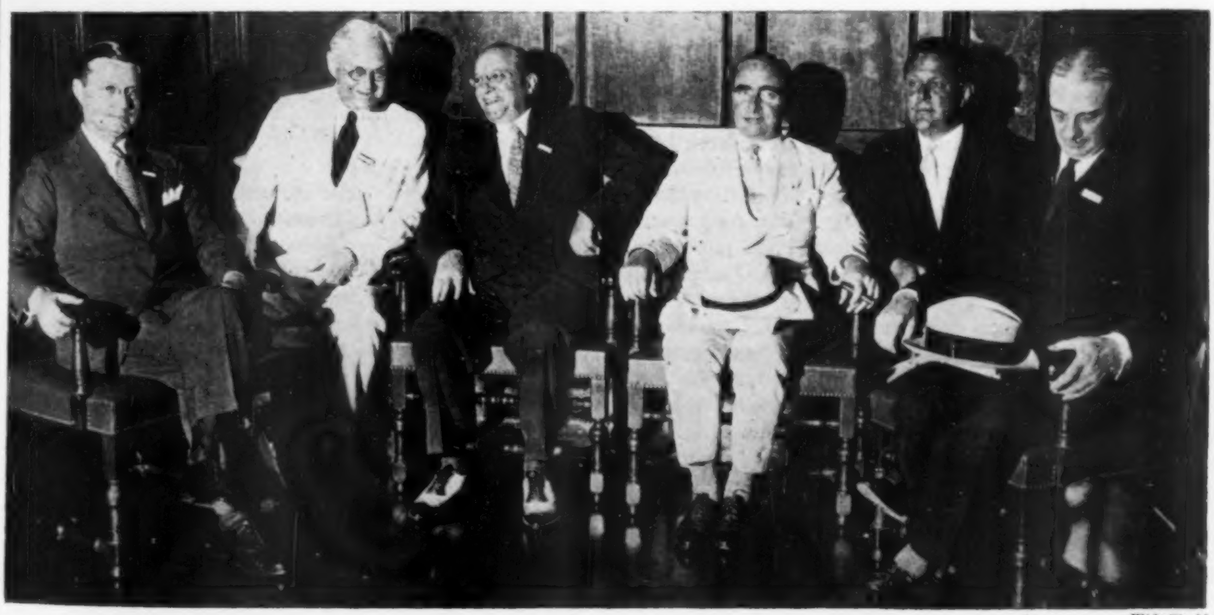
4. Increasing employment through the sharing-work movement.

5. Stimulation of home repairs and improvements.

6. Assisting home owners with mortgages.

Those at the meeting heard some interesting things. The President discussed more frankly than ever before some of the perils through which the financial machinery of the country had passed, and again set forth his program in logical sequence. Chairman Pomerene of the R.F.C. revealed that loans to banks, open and closed, had aided 37% of all the bank depositors in the United States—sufficient answer, he thought, to the charge that the R.F.C. is helping only "the big fellows."

Chairman Fort of the Home Loan Bank board described its plans and ambitions. Paul Bestor described what



Wide World

IN THE DOCTOR'S OFFICE—*Consultants of commerce and finance gather in Washington to plan business recovery. Waiting for Dr. Hoover are (left to right) Secretary of Commerce Chapin; Henry Robinson, advisor of the President; Governor Meyer of the Federal Reserve Board; Secretary Mills; Governor Harrison, of the New York Federal Reserve; Owen D. Young, chairman of General Electric, head of the New York industrial and banking committee*

is being done to set up new financial agencies for financing agricultural production and marketing. Eugene Meyer, chairman, discussed Federal Reserve policy, remarked that most of the rest of the world and some Americans had believed the system could not possibly meet the strain through which it passed successfully. The new Secretary of Commerce described the facilities of the department available for help of the committees. Owen D. Young outlined the genesis, function, and operation of the industrial and banking committees.

B. & O. Speeds Repairs

Daniel Willard announced the B. & O. would spend $3 millions in the next 6 months repairing all equipment likely to be used in the next 2 years if business picks up. The road of course has more equipment in good order than it needs for present traffic. Of the money, $2 millions will go directly into wages.

George H. Houston, president of Baldwin Locomotive, explained the far-reaching effects of an arrangement under which applications may be made to the R.F.C. for loans on equipment trust certificates. Under this plan, 80% of the cost of new equipment may be borrowed. Manufacturers are cooperating to make it possible for weaker roads thus to be helped.

A. W. Robertson, Westinghouse chairman, pointed out that modernization of plant equipment is good business; better work can be had for less money just now. He recited instances of manufacturers who are acting on this theory.

Clarence Woolley, American Radiator head, stressing the need of housing for people of small incomes, gave as an example of the kind of development needed a $6 million project, building $3,000 homes just outside New York City. New York, he said, could absorb 50 such developments as fast as built.

Standard Spreads Work

Walter Teagle, of Standard Oil, New Jersey, and K. R. Kingsbury of Standard Oil, California, described their corporations' satisfactory experience with spread-work plans.

Significantly, the conference further pledged its assistance to the R.F.C. in working out the problems arising from the effort to make self-liquidating loans for public and semi-public projects, and for slum clearance and housing projects.

Home Loan Board Moves To Check Foreclosures, Speed Relief

"WE will doubtless make many mistakes in our handling of our problems. But we do not intend that one of them shall be lethargy. The pathos that daily crosses our desks forbids that," said Franklin W. Fort, chairman of the Home Loan Bank Board, addressing the President's conference.

Certainly there has been no lethargy. The board has set its collective heart upon having the new banks in operation by Oct. 15, to give quick relief to the small home owners who are being pressed for payment on mortgages, and to the institutions which are pressing borrowers only because they feel they must.

Meantime, Mr. Fort has asked for a 60-day moratorium on home mortgage foreclosures, and apparently he is going to get it. Comptroller Pole wired receivers of all national banks to conform. Bank commissioners of 20 states were so prompt in complying that they used the telegraph. Mr. Fort's request was not confined to closed banks only, but it is closed banks which have been pressing hardest, in the proper desire to get funds with which to pay depositors dividends.

Organization of the system is progressing swiftly. Already, the districts have been designated, and the cities in which each bank will be located. The law provided that no state should be divided in forming a district. Basis of districting was, roughly, the amount of home mortgages eligible for rediscounting. In picking cities, the board said it deliberately avoided those which already have a Federal Reserve Bank or a Farm Loan bank, the idea being to decentralize federal financial activities. Another condition was that laws in 20 states forbid savings banks' or mortgage and loan societies' investing in stock of other institutions. Banks went to states that have no such laws. Until the laws are changed, institutions in such states can borrow by putting up collateral equivalent to stock subscription. It is to be suspected, too, that willingness of banks and other institutions to subscribe to stock in the home loan banks played a part in selection of cities. The board is anxious that as little as possible of the $125 millions of federal money available be used.

Cities chosen, capital designated for each bank, amount of mortgages in the district, and the boundaries of the district, follow:

No. 1. Cambridge, Mass.—$12.5 millions, $3.6 billions; Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut.

No. 2. Newark, N. J.—$20 millions, $9.5 billions; New York, New Jersey, Virgin Islands, Puerto Rico.

No. 3. Pittsburgh—$12.5 millions, $1.6 billions; Delaware, Pennsylvania, West Virginia.

No. 4. Winston-Salem, N. C.—$10 millions, $500 millions; Maryland, Virginia, North and South Carolina, Georgia, Florida, Alabama, District of Columbia.

No. 5. Cincinnati—$15 millions, $1.2 billions; Ohio, Kentucky, Tennessee.

No. 6. Indianapolis—$8 millions, $600 millions; Michigan, Indiana.

No. 7. Evanston, Ill.—$15 millions, $800 millions; Wisconsin, Illinois.

No. 8. Des Moines—$7.5 millions, $300 millions; North and South Dakota, Minnesota, Iowa, Missouri.

No. 9. Little Rock—$10 millions, $300 millions; Arkansas, Mississippi, Louisiana, Texas, New Mexico.

No. 10. Topeka—$7.5 millions, $400 millions; Nebraska, Kansas, Oklahoma, Colorado.

No. 11. Portland, Ore.—$6 millions, $200 millions; Montana, Washington, Oregon, Idaho, Utah, Wyoming, Alaska.

No. 12. Los Angeles—$10 millions, $600 millions; California, Nevada, Arizona.

Total capitalization thus is $134 millions; the mortgages on homes valued at $20,000 or under held by banks and loan societies are estimated at $19.6 billions.

Bridges, Waterworks Crowd R.F.C. Doorstep

WHAT is a self-liquidating project, public or semi-public in nature? Well, the Reconstruction Finance Corp. is going to have numerous opportunities to decide.

There is no official compilation of the schemes which hope to be financed under this provision of the Relief Act that Congress left in the lap of the R.F.C., but *Engineering News-Record* has been keeping unofficial tabs and the score is startling.

Through August, 42 projects had decided to apply for federal loans, to a roughly estimated total of $533 millions.

They range from a ship canal across the Florida peninsula (trust Florida) which thinks $160 millions would help, to the good citizens of Crowley County, Colo., who would like $35,000 to start a project to divert water from Roaring

Fork River to irrigate their lands, drought-stricken for 3 years.

A few samples:

San Francisco-Oakland and Golden Gate Bridge projects. The former alone to cost $75 millions.

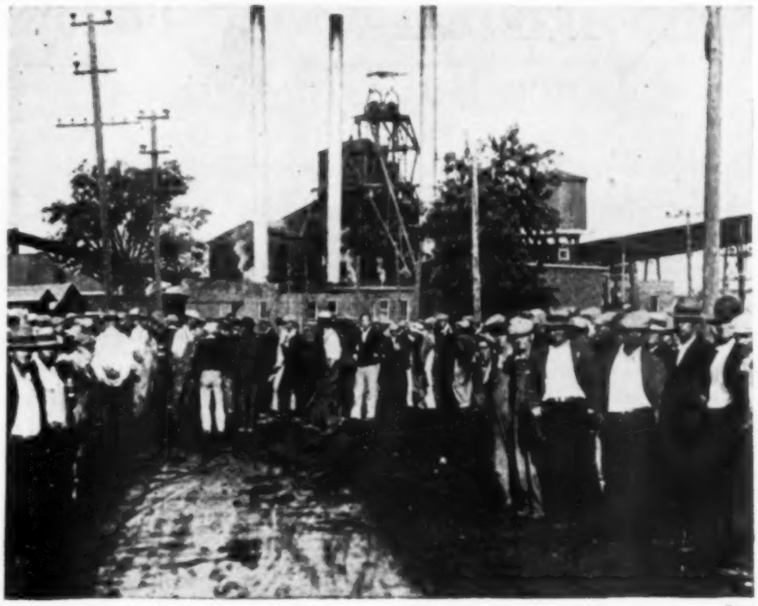
Port of New York Authority project for a mid-town tunnel, vehicular, New Jersey to 38th Street, New York, $75 millions.

Los Angeles, transmission line to Hoover Dam, $42 millions.

Toledo, O., water supply system, $15 millions; winter mooring station for freighters.

New Orleans, $14 millions, for Public Belt bridge, Shushan airport.

After all these applications, actual or contemplated, were listed, the R.F.C. issued a circular governing requests for loans. Net of these instructions is that loans must be self-liquidating from revenues other than taxation, and the "reasonable time" provision of the act is interpreted as meaning 10 years.



Acme

JOIN, OR ELSE—*Illinois miners, striking against wage cuts, picket the Peabody mine. No workers ran this grim gauntlet; operations stopped*

Markets, Not Wages, Will Be Real Issue at Coal Conference

Anthracite operators base demand for pay cuts on necessity of price cuts to meet competitive fuels

WAGE agreement between the United Mine Workers and the anthracite operators has 3½ years to run. But it includes a clause providing that at any time a board of 6 operators and 6 union officials can be called into meeting to discuss the contract. Under this clause, the board will meet in New York Sept. 6 to consider the operators' demand for a general reduction of 20% to 40%.

Many-Sided Problem

No close observer will hazard a guess as to the outcome. Operators point out that wages are above the wartime peak; they have increased 10% since 1920, while the cost of living has decreased in the coal regions 28%. Some of the workers in the upper districts are reported to feel that they would prefer some reduction in wages, hoping this might lead to lower anthracite prices, heavier consumption, and hence more days of employment instead of the reduced operating schedules current. Union leaders, nevertheless, may be expected to offer stout resistance, as they did in 1930, when the trend of the times was apparent, even if not quite as overwhelmingly obvious as now.

The forthcoming conference opens a new chapter in the industry. Heretofore, it has always been the union threatening strike if demands for increased wages or union advantages were not met. For the first time, it now is the employers saying they will have to close down operations unless they can deflate the price of their commodity into line with other commodities.

There has been peace since 1926 in the anthracite fields, and that is a long, long time for that industry. From April 1, 1922, to February, 1926, there were 3 strikes. The miners lost more than 1 year's work (351 days) out of 4 by strikes.

Complicated Wage Scale

Wage scales in the industry are intricate affairs. To begin with, there is a wide variety of occupations below and above ground, each with a different rate. Newspaper mention of a $10 scale simply bewilders coal men. Besides the different occupations, there are different jobs for the same man to do at different times—setting props, drilling rock, and so on—and a different rate of pay for each.

The best approach is through statistics on average earnings. The U. S. Dept. of Labor before the depression figured average earnings of contract miners at $9.07 daily, and of contract laborers at $6.46. When times were better, miners worked about 274 days a year and earned $2,114. Even this average figure is almost meaningless, the U. S. Coal Commission remarked, for it embraces all types of workers—contract miners who earned $1,400 and some who earned $6,000.

1925 the Turning Point

Anthracite operators believe the strike of 1925 was the last straw that broke the back of the anthracite market. The wage scale made high prices necessary for domestic sizes, and the domestic market is the big thing in anthracite. Production reached a peak of 99 million tons in 1917. It held pretty steady until after this strike. Driven to competing fuels, consumers found they liked them. Competitors, moreover, were stimulated to improve oil burners, automatic stokers, and the like.

So, in 1929, production was 74 million tons; in 1930, 69 million; in 1931, 60 million.

For 6 months of this year, production has been 24 million tons, against 36 million in 1929 and 32 million in 1931. This year, it will be noted, shows a drop of 25% from last year.

The operators told the miners this would happen, but they take only a melancholy satisfaction, if any, in proving themselves true prophets.

Our "Agrarian Revolt" Follows New Lines But Old Causes

Behind the strike against low prices lie the ancient issues of debts and taxes

THE attempt to prevent the movement of farm products to the main market centers in the leading Middle West farm states, Iowa, South Dakota and Nebraska, has attracted nation-wide attention partly because it is the first active expression of American agrarian revolt in this century and partly because of the unique form it has taken. Moreover, its occurrence during a presidential campaign lends it some political interest as a symptom of protest against farm conditions in strong Republican states.

Starting inconspicuously several months ago as a sporadic movement among farmers in the more southern winter wheat belt, Kansas, Oklahoma, and Nebraska, to hold back the new crop from market for $1 a bushel, it made little headway until it took hold of livestock and dairy producers around Omaha, Sioux City, Des Moines, and other marketing centers. This region is somewhat below the spring wheat area in Minnesota, Montana, and North Dakota and was specially hard hit by the drastic decline in hog, corn, and milk and butterfat prices. Severe bank failures and moratoria on bank deposit withdrawals were aggravating factors in the situation.

Mr. Reno's Idea

These difficulties were more or less common in all the Middle Western farm states and the active expression of protest in Iowa and the other 2 states is ascribed largely to the energetic organizing activities of Milo Reno, head of the Iowa Farmers' Union, who has been a vigorous exponent of the plan for a farmer's holiday for some time.

In the most disturbed centers it has become more than a mere holiday or crop-holding movement and has developed into as close a counterpart of a labor strike as is conceivable in an agricultural community. Not merely are farmers holding their own products from market but by picketing roads and using violence or threats of violence to others they are trying to prevent shipments into the marketing centers, on the theory that if prices cannot be effectively raised thereby, at least enough public attention will be drawn to the situation to lead to some action—nobody quite knows what—for relief.

Moved by this more or less blind impulse to start something, where all relief efforts from afar have so far failed, the movement has spontaneously gathered to itself all types of distressed groups in the rural area—farm laborers, tenants as well as proprietors, together with unemployed war veterans. Some of the local sheriffs and other public officials are more or less explicitly sympathetic with the purpose, though deprecating violence.

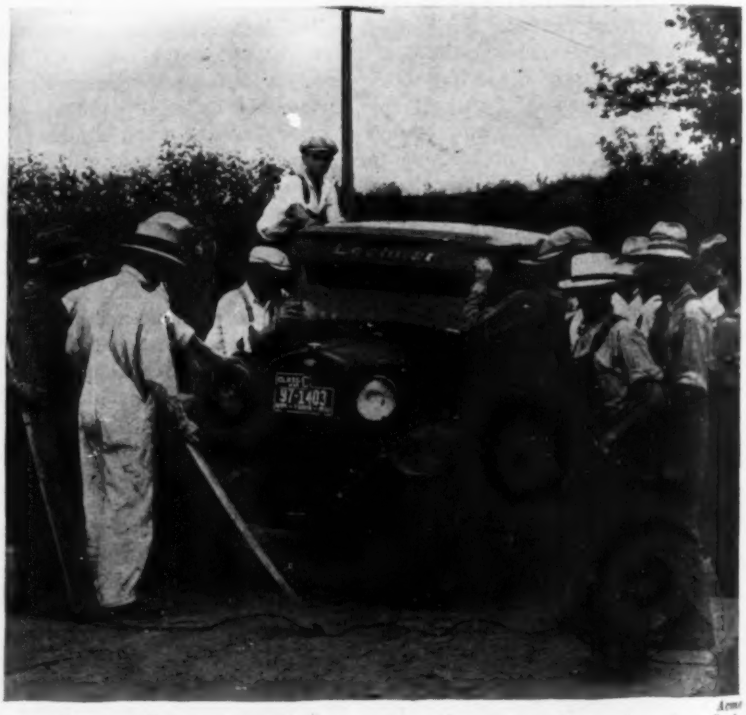
The situation is somewhat complicated by conflicts of interest among certain of the farmer groups themselves. In Des Moines the strong local cooperative milk marketing organization which had a contract with the milk distributors has stood out against the movement and resisted attempts to interfere with its shipments. In general the affair has taken on the form of a spontaneous outbreak among the unorganized farmers and farm workers with the marketing interests and their associated established cooperatives on the other side, much as in the outlaw strikes in the coal fields.

The actual effect on the marketing of farm products in the centers affected has so far been slight, since the picketing cannot cover all roads and the railroads can handle all the shipments required. There has been no effect on local prices except for an offer by milk distributors in the Sioux City area to increase the price paid from $1.20 a hundred to $1.60 for all milk taken up to a maximum amount, the surplus to be disposed of by the farmers elsewhere. This excess, formerly bought at a lower rate, was one source of grievance on the part of the producers.

Co-op Conference

In spite of some skepticism about the tactics of enforcement, the theory of the farmers' holiday has made such a widespread appeal that a conference of governors of the 15 Middle Western agricultural states will be held Sept. 9 at Sioux City to consider concerted action among the co-op groups in the states to raise farm prices.

President Green of the A.F.L. and other national labor officials have sent messages of sympathetic support to the sponsors of the movement. This is the first time the labor unions and the farmers have found a basis of common ac-



Acme

PIGS STAYED HOME—*Iowa farmers, on strike against low prices for their products, use nail-studded planks to blockade the roads to market*

tion and policy, but the whole movement is still too vague and chaotic to have much concrete political significance as yet.

A Late Start

A curious feature of the situation is that this outright manifestation of agrarian revolt has come in what appear to be the last stages of the depression and has developed in face of a fairly rapid upswing of commodity prices. The rise in wheat has so far been relatively small, and the spectacular spurt in cotton, of course, does not affect these farmers. On the whole, prices of hogs, corn, butter, and milk in the local markets have not risen enough from this year's low levels to bring as much satisfaction to the local producers as was generally expected. Corn in Iowa markets is bringing 25¢; the farm strikers are holding out for 92¢, which they say is the cost of production. Oats are bringing 13¢ and they want 50¢; wheat 42¢ against $1.36; hogs $3.72 against $11.25 a hundred; chickens 12¢ against 24¢ a pound and eggs 17¢ a dozen against 35¢.

So far, the movement has been confined to the price question, but, of course, behind this lies the more fundamental difficulty of farm debts and taxes. The aggressive campaign of local business groups and bankers to secure signatures to agreements for a moratorium on bank deposit withdrawals has suggested to some farmers the desirability of a similar moratorium on farm debts, and there has been some consideration of the possibility of concerted action to resist foreclosures, but it has not yet gone far.

Several measures proposing federal refunding of farm mortgages at lower interest rates were introduced in the last session of Congress by Senators from these states and more will be heard about them in the next session unless the Middle Western farmers' expectations of prices comparable to production costs are more nearly realized before then.

Canners' Small Pack Is Likely to Be Big Enough

CANNERS' pack this season will be smaller than for several seasons past, smaller than the 5-year average, it is forecast. That this will have much effect toward better prices, however, is doubtful, for several reasons.

First and most important, of course, is the reduced purchasing power of the public. Some authorities say even the smaller pack this year will be large enough to meet the demand. This means carryover will not be reduced.

Second, the consumer has virtually an unlimited choice of diet. If canned corn starts to rise in price, the housewife can turn to peas, and if peas likewise are getting expensive, she can buy any one of a dozen dried vegetables—as navy beans—or, any week in the year in any good-sized town, fresh vegetables.

Third, there isn't any shortage anyway; there are big carryovers.

The best the canners hope for is to see these old cases move out of their warehouses at not too ruinous a price. Incidentally, that is where carryovers are. Wholesalers used to carry the stocks; they don't any more. They buy as their own customers do, from hand to mouth.

There are 4 great canning crops. They are: peas, of which fewer were packed this season than usual; tomatoes, with a crop forecast Aug. 15 as 1,200,000 tons, 25% above last season, 5% below 5-year average; corn, forecast 349,000 tons, 55% less than last season, 45% below the 5-year average, carryover 6½ million cases, as against perhaps 2 million normal; beans, snap and lima. Snaps forecast as 34% under the 69,700 tons of 1931, and 34% below the 5-year average.

Uncle Sam Is Left Holding Bag of Raisins

THE unhappy progress of pool price-control reaches another milestone. It marks the grave of the famous California Raisin Pool. The campaign to sign sufficient acreage to retain domination of the 1932 crop has failed. Some 210,000 acres of vineyards were necessary to continue operation. Only 135,000 acres or 64% of requirements accepted the agreement. It was the deathblow. Probably no effort will be made to revive the move for the present crop. If conditions get worse an attempt may be made to resuscitate the plan next year.

Vineyardists who signed will be released from their obligations. Escape for Uncle Sam is not so easy. Federal Farm Board money financed the venture. Advances were secured by raisin tonnage. The pool was organized 2 years ago as part of the California Grape Control Board program. During the interim 190,000 tons of raisins have been received. The Farm Board is left with 48,000 tons, or 25% of the total on its hands. This includes 5,000 tons of 1930 muscats.

In 1931 the carryover was 30,000 tons. Everyone hoped the pool would wipe out the annual disturbance of an overhanging surplus. Instead the pool expires with a carryover 18,000 tons greater than the previous year.

Tea Credits Its Gains To Economy Appeal

ECONOMY appeal backed by intelligent promotion has driven Americans to the drinking of more tea. Latest figures measure the force of the increase, indicate direction of appetite which jobbers and retailers will do well to consider. For the year ended June 30 total tea importations were 90½ million lb., compared to 87 million for the same period of 1931. Most of the rise was in blacks.

The dark varieties have been gaining while green teas register persistent declines. During the past 5 years imports of black tea rose 7 million lb., green teas fell over 4½ million. Since last season there was a jump of more than 3 million lb. in popularity of the blacks.

What caused the shift?

For one thing Americans like a kick in their drinks. Black teas are stronger than greens. L. Beling, director of the India Tea Bureau, points out that modern American taste "must have a richer, more full flavored tea than the pale green leaf of the old clipper ship era."

Another powerful factor is economy. A pound of green tea brews 80 to 90 cups; blacks produce almost twice as much—150 to 200 cups. The industry claims that low price has, during the past year, caused a greater increase in the imbibitions of ice tea than in other cold drinks.

That price is a powerful factor is proven by last year's rise in imports of cheaper leaf. Witness the score of black Java, which jumped from 7 to 9 millions.

The turn to black tea has been so pronounced that it has brought grand totals of imports within 600,000 lb. of

1928. During these years black India teas rose from 17½ millions to 21⅓ millions. Most constant figure is that for black Ceylon. It has been close to 27 million lb. for 5 years.

Tea's table competitor is coffee. This rival shows no such increases. Average coffee imports fluctuate mildly between 800,000 and 1 million bags monthly. The past year showed a slight loss. For 12 months ended June 30 arrivals were 12,070,000 bags, compared to 12,884,000 for 1931. This drop was too small to be of significance. But stability ceases to be a jewel when a competing commodity registers a gain.

Mr. Hill Shoots Down Prices At Both Ends of the Range

Cremos at 3 for 10c., Corona Coronas at 3 for $1 launch new attack accompanied by new sales plan

THE uncanny merchandising instinct of George Washington Hill, president of the American Tobacco Co., has delivered itself of another daring coup that—for the moment, though probably not for long—has the entire industry stuttering.

Without previous notice retailers handling Cremo cigars, the company's leading 5¢ brand, were told on Monday, Aug. 29, that thereafter this cigar would retail at 3 for 10¢. They were furnished with window posters, door stickers, and box labels quoting the new price. Wholesalers advised them that they would promptly receive a credit adjusting the price on all Cremos then in stock from the former $38.50, less certain discounts, to the new $28.50 net figure, thus relieving them of loss in making the low retail price effective at once.

Profits Cut, Too

Rejoicing over this noble credit gesture was somewhat dampened when the dealers began to use their pencils on the new figures. From the old $38.50 price they were given a regular 2% discount, another 2% if they gave the brand certain display space, another 2% for carrying a box on top of the counter and, in addition to all that, each box of 50 contained a coupon, redeemable at 10¢ net, so that with everything off they were buying Cremos for $34.24 a 1,000. Thus in selling the cigar at 5¢ straight they made a profit of over 1½¢ on it. And the bad news is that, at the new price, they will make just about that much on the sale of 3 cigars.

Flarebacks have followed. Some of the dealers say that this is entirely too small a profit and that they will be better off selling some other brand at a higher price even if they sell fewer; are threatening to drop Cremos or to sell them only on demand—and charge for the matches.

Wholesalers are also upset. One asserted that at least 75% of the reduction is effected at the cost of the wholesale and retail dealers.

While some argue that this process of pruning margins may cost the manufacturer much cooperation and loyal support, others think that the shrewd Mr. Hill has made full allowances for that possibility and is prepared to offset dealer infidelities with a consumer advertising campaign out of an unimpaired appropriation and with little or no danger of cutting the company's net profit. Meanwhile, he has another barrel aimed at the high-priced market, carrying an equally heavy charge.

It now appears that it was not merely a desire to get away from trouble with native labor and to make some nominal reductions in retail prices that prompted him to arrange for the removal of his Havana plants to Trenton, N. J. (*BW—Jul20'32*). Instead, this was evidently the first step in a campaign that includes a revolutionary departure from all precedents in the marketing of cigars, and the most drastic reductions in prices that have ever occurred in the industry.

Coronas 3 for $1

After Sept. 15 retail prices on all the brands formerly made in Cuba will be reduced approximately 50%. The world's most widely known quality cigar, the plutocratic Corona Corona, heretofore sold for 60¢ and up, will retail for 35¢, or 3 for $1. The Corona Perfecto is reduced to 3 for 50¢, the Belvidere to 15¢ and the Bock & Cie. Havana goes from 20¢ down to 10¢. Other brands are cut in proportion. And to make certain that these drastic reductions tempt no dealer into monkey-business with prices, Mr. Hill is launching a brand-new program of consignment selling, planned to control retail prices and keep within the law.

Under this program these quality cigars will be available only to dealers who qualify as agents in accordance with the terms of a special consignment contract whereby the distributor remains the sole owner of the merchandise until the final consumer buys it. The agent will get a 22% commission for selling if he maintains a display of at least 3 boxes in his counter case and 24% on all sales if 6 boxes are continually displayed.

Responsible dealers, particularly those who cater to the better class of retail trade, welcome the new plan, say that it means that, for the first time in the history of the industry, neither chain stores nor department stores will be able to cut under their prices.

Cigars Paid United; Real Estate Didn't

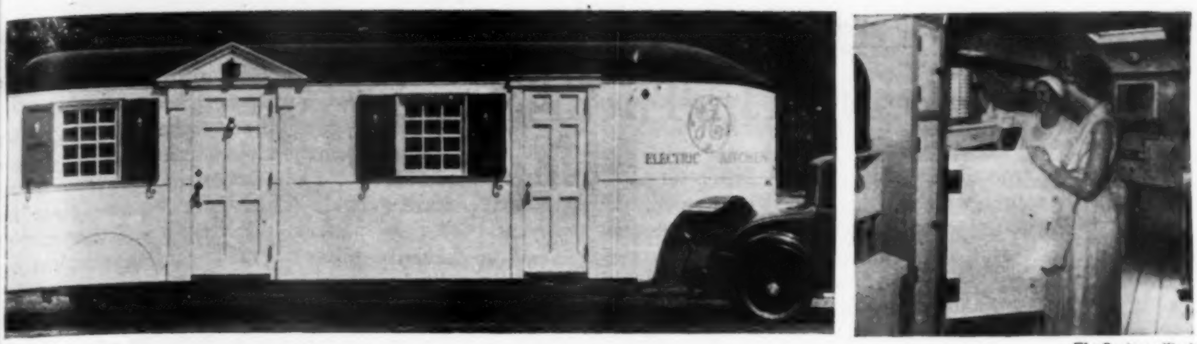
THE event which cast its shadow ahead when the United Stores Realty Corp. passed into receivership (*BW—Jun'32*), which seemed closer when on July 27 Retail Chemists Corp. (formerly Whelan Drug Co.) went the same way, has finally occurred, and United Cigar Stores Co., on its own application, is in the hands of the Irving Trust Co. as receivers in bankruptcy.

Simultaneously the trust company was made receiver for the United's last important lease-holding subsidiary, the United Store Realty Holdings, Inc. which although only organized in recent years was presumed to hold its most profitable properties.

Those who have been interested in George K. Morrow's valiant efforts to resuscitate the "United" and all its offspring comment on the fact that the accompanying "statement" makes no reference to conditions in the cigar trade, to falling prices or to new competition—only to losses sustained in real estate operations.

Cigar retailers in any new companies formed to take over United stores will avoid real estate operations and depend on straight merchandising for a profit leaving them in a less favorable position to engage in cut-price competition.

Some retailers are wondering what will happen to the new corporations which United has recently formed in many states for the express purpose of taking over its business in those states



The Business Week

ROLLING KITCHEN—*General Electric devised this motorized kitchen, one of a fleet, to sell the all-electric kitchen idea. It is equipped with electric range, refrigerator, dishwasher, ventilating fan, radio, food mixer, percolator, and toaster; has linoleum floor, monel metal sink, breakfast nook, kitchen desk. Demonstrations are made at the prospect's home*

Silver Is Developing Markets on Its Own

SILVER producers always have been smugly content with the metal's status as companion to gold in the coinage and jewelry and plate of the world. Now that silver, quoted in gold prices, is seen to be a very poor relation, indeed, some interest at last is being shown in developing greater consumption of the white metal.

Chemists and metallurgists were interested and a little startled the other day to see a patent granted for a process of recovering iodine from the brines of oil wells by the use of silver as a precipitant.

Different, but symptomatic also of widening consumption, was the outcome of the L. C. Smith Co.'s introduction of a "Sterling Model"—a portable typewriter with a sterling silver case, to retail at $125. No great effort was made to push this novelty, but to everyone's surprise, it sold 500 in two weeks.

Engineers Checking Up

Chemical engineers are looking over their plants to see where silver apparatus may well be installed while yet the metal is cheaper than ever before in the long history of metallurgy. English and Continental factories and laboratories have led the way.

Donald McDonald summarized what has been done recently in a paper read before the Society of Chemical Industry. Acetic acid is particularly corrosive at the moment of condensation. Silver condensers are being substituted for copper with good results. This is the most extensive application so far.

The food industry uses acetic acid also as in distilling vinegar and in pickling. Such plants are turning to silver stills, condensers, taps and cocks. Milk, brewing, and cider trades are following suit.

Silver condensers find use in the manufacture of acetate rayon.

Jam makers are silver-plating tanks.

Another industrial application is for apparatus used in melting and casting caustic alkalis.

1847 Silver Offers A 1932 Trade-in

WILL a sales device which has justified itself with automobiles, pianos, and other large-outlay articles work as well in a different price level? The 1847 Rogers Bros. division of International Silver thinks so, is going to try trade-ins. For a limited period, housewives may take their old knives to any Rogers dealer and get a 25% discount on the firm's new Viande knives.

The Viandes are different. They represent advance in design of an article which has remained for centuries almost unchanged. Instead of having a blade longer than the handle, the Viande has a long handle which facilitates holding and a short blade which aids in cutting. Popularity is proven. These knives represent more than half the firm's hollow-handle knife sales. Watchers at women's club luncheons attest that over 80% prefer the new form.

The trade-in will apply only to knives —but the company admits the possibility that, once inside the store, the knife-trader may be intrigued by other wares or want to match the Viandes with forks and spoons.

Canada Puts Bounds Around Competition

BUSINESS men advertising their wares in Canada will have to watch their steps to avoid tripping over the drastic Unfair Competition Act which became effective Sept. 1. It is now a crime to discredit the goods of a competitor and all practices "contrary to honest industrial and commercial usage" are forbidden. Strict rules are established for registration and use of brands and trademarks.

The commercializing of sentiment is outlawed by prohibiting the use of the royal arms, crest, and flags of the Dominion or its provinces, or emblems of fraternal societies. Personal names as trademarks are circumscribed by a provision that the business must be conducted for the benefit of the individuals named. It becomes a crime for an advertiser to refer to competing merchandise in such a way as to create confusion.

Canada administers her statutes with good, old-fashioned, British sincerity. It remains to be seen whether this one will be a more effective weapon against practices in the twilight zone of ethics than the American plan of policing competition through the Federal Trade Commission, Better Business Bureaus.

Soundproofing Proves An Attractive Field

MANUFACTURE of sound-absorbing materials for offices and auditoriums has increased fourfold in 3 years, the Bureau of Standards reports. The talkies were the stimulant. Early materials were limited; some were serious fire hazards.

Two manufacturers sent samples for tests in a reverberation room the bureau set up in 1928; in 1931, 23 manufacturers sent 97 samples. The record for 1932 will be even higher.

The bureau's latest circular lists 37 different materials in 87 varieties.

Newest refinement is study of atmospheric conditions on sound absorption. The deadening effect is best when humidity is low and temperature high.

Price Gain Helps Textiles; Rayon Makers Help Themselves

TEXTILE prices generally are rising, and sales are, by contrast with the sluggish days of early summer, encouragingly brisk.

Cotton yarn, gray goods, and finished goods markets are excited and advancing with cotton. Silk has been stronger, with mills busier. Wool outlook for fall is for firm prices, at least, and seasonal increase in sales.

Sales of rayon yarn in August may have reached a new high for the entire history of the young industry, according to preliminary estimates. Furthermore, some of the business booked was at a price increase of 10¢ a pound. Prices still are low, but producers are encouraged that they have been able to reverse the trend.

Enormous Sales

Rayon sales for August look like 15 million pounds, a little ahead of October, 1929, the previous record month. Some mills report themselves sold out of certain sizes for 6 months. Even if this be exaggeration, it gives light on conditions.

DuPont was earliest to raise prices, and marked up first the 75 and 100 denier sizes—fine yarns used for crepes and velvets, which are fashionable for fall. These sizes compete most directly with silk, and improving silk prices have helped them.

Being wholly a synthetic product, no fluctuation of crop prospects or of raw material markets explains rayon prices. Producers, relatively few in number, have control in their own hands, when they choose to exercise common sense in the face of statistics on stocks. After the usual bitter lessons, they have learned pretty well. Sales fell off even faster than production for a time, so stocks still are large in some sizes, but severe curtailment of operations at last has had its effect on the market.

Production Sharply Reduced

Total capacity of the industry is put at 160 million pounds annually. Output this year is estimated to have been at 50% capacity, making 40 million pounds for 6 months. A summer shutdown of 2 months ensued.

In 1920, an early, flush year, 150 denier rayon brought a novelty price of $6 a pound. In June, 1929, it was $1.15. Recently it has been 55¢, but is being marked up by most makers to 60¢ or thereabouts.

Sentiment of leading rayon producers is expressed by Tubize: "If the weavers will hold to their policy of producing against orders only, and if knitters would follow this example more closely, the requisites for a sellers' market this fall are present today. Producing against orders only means firm cloth prices and these, in turn, mean profit. It is to be hoped that the wise policy of curtailment, followed during the past few months, will be continued as long as may be necessary."

"Pullman Co. of Freight" Adds to Tank Car Fleet

WHEN Swift & Co. sold its entire fleet of 6,000 refrigerator, stock, and tank cars to General American Tank Car Corp. it was predicted the economy of pooling equipment under "the Pullman Co. of freight" would lead other packers to the same step (*BW—Mar4'31*).

Now Armour & Co. announces sale of its 500 tank cars to General American. Penick & Ford, manufacturers of syrups, also have sold their fleet of 200 to G. A. T. C.

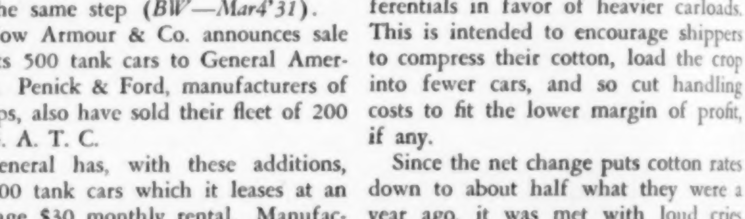
General has, with these additions, 30,000 tank cars which it leases at an average $30 monthly rental. Manufacture of tank cars of widely and ingeniously varied design to meet special uses—as the Dry-Flo car for cement, flour, and dry chemical powders, and glass-lined cars for milk—remains a big part of the company's business. But the operation of car fleets has become the more important part, and in this field, foods have become more important than the petroleum-carrying whcih was the beginning of tank cars.

Railroads Are Free To Fight for Cotton

THE railroads will be permitted to make their big bid for the cotton traffic of the lower Mississippi valley (*BW—Aug24'32*). Over the protests of barge line operators, trucking concerns, and port compressors, the I.C.C. has declined to suspend the new rates as redrafted and drastically reduced in an effort to bring the cotton hauling business back to the rails.

In lieu of the long-familiar any-quantity rates (as cheap for 100 lb. as for 50,000) there will be a system of charges carried according to the weight of the shipment, with progressive differentials in favor of heavier carloads. This is intended to encourage shippers to compress their cotton, load the crop into fewer cars, and so cut handling costs to fit the lower margin of profit, if any.

Since the net change puts cotton rates down to about half what they were a year ago, it was met with loud cries of alarm by the barge lines and trucks.



The Business Week

RAIL-ROAD BUS—*This regular Twin Coach is fitted with retractable guide wheels which make possible its use on both roads and rails*

Since it puts a premium on compression at interior shipping points, port compressors joined the pilgrimage of plaint to the I.C.C. But opposing witnesses insisted that the independent barge lines could still cut under the new rates, that the trucks still have the advantage in many areas, that the trend is toward compression at shipping point anyway. The commission seems to have agreed.

Rail Equipment Buying Shows Heavy Slump

WHILE the government has been talking over the possibility of the railroads buying more equipment to give business a lift, the railroads themselves have been checking up on their equipment purchases. The American Railway Association's Car Service Division has made some interesting comparisons for them in this field.

In the first 7 months of this year Class I roads placed in service 2,251 new freight cars against 8,264 for the same period last year. On Aug. 1 these roads had 1,646 new freight cars on order compared with 7,984 on the same day a year ago. Locomotives purchased January–July, 1932, totaled 34; for January–July, 1931, the count was 94. Locomotives on order Aug. 1 this year, 6; last year, 32.

Meanwhile, the repair list has been lengthening. On Class I roads freight cars in need of repair on Aug. 1 totaled 174,532 or 8.2% of the number on line. This was an increase of 6,769 over the figure for July 1. By Aug. 1 freight cars in need of light repairs had risen from 4,665 on July 1 to 71,217 or 3.3% of the total number.

Rail-Road Bus Opens the Way To Service Expansion, Economy

LIKE everyone else, but perhaps more than anyone else, the railroads have had to economize. They have reduced service on main lines to what the traffic demands, and cooperation has replaced competition on many runs.

On branch lines, service has long since been reduced to the minimum, but even at the lowest level permitted by the regulatory bodies, this service is considerable of a loss.

Branch lines and feeders are perhaps the greatest problem of the roads. It is here that motor road competition gets in its hardest digs. Truck, bus, and private car have reduced branch line traffic—both passenger and freight—to the point of absurdity. Yet here, many railroaders feel, is the greatest opportunity for a comeback. On the long hauls, the trains can hold their own with their competitors; it is on the short runs that they must fight to regain ground lost.

Their Own Roads

On the short hauls, the railroads have one great advantage: an owned right-of-way which permits fast point-to-point transport. To capitalize this means substitution of light, economical equipment for the present expensive cars and locomotives; and extension of service to meet bus competition.

Railroaders have not entirely accepted this lighter-equipment idea. Yet they have watched receptively the various efforts to solve their hardest problem.

First, beyond logical development of the self-powered car, was the German Zeppelin car, a long- streamlined affair, driven by airplane propeller and engines, which surpassed bus competition, and made inroads on air competition by offering plane-like speed on the ground.

Rubber Tires, Lighter Cars

Then came the French tire maker, Michelin, with a gasoline-motored, rubber-tired rail-car that was light, speedy, and economical. The idea was further developed in this country (*BW—Mar2'32*), and the resultant Budd-Micheline car is being experimented with by the railroads. Rubber on the rails reduces vibration, makes possible the light, welded stainless steel construction which, in turn, makes possible the economical power plant.

England, also, had a feeder line problem, and the London Midland & Scottish devised a gasoline-engined car which could operate on both rails and road. When it reached the end of the line, after traveling as a separate unit or as part of a train, it lowered its extra, rubber-tired wheels and rolled off on the road.

Now, in this country, a bus company achieves the same end more simply, offers a bus with retractable track gear. Made by the Twin Coach Corp., the new rail bus is simply a standard Twin Coach with flanged auxiliary guide wheels which can be raised or lowered in 2 or 3 minutes.

The English car carries 2 sets of wheels; the American uses the same wheels and tires for operation on both tracks and roads.

With this equipment, railroads may combine the advantages of roads and rails, using the roads as feeders for the branch lines in comparatively open country; using the rails through suburban and more congested areas where highway traffic slows up running time.

Another use is between heavier schedules, where the smaller unit is ample for the traffic, and inexpensive to maintain.

Obstacles in the way of quick adoption of the rail-road bus are many. Foremost, is the present ruling of the I.C.C. and the attitude of the railroad unions which sets a minimum crew limit, usually 3 men. The bus, of course, needs but one.

Given this reduction in crew the rail-road bus could show operating costs lower even than the heavy highway buses with which it would compete: rail travel is more economical of power and time than road travel. And the flexibility of such equipment would make any general store or cross-roads a railroad station.

Stutz Enters New Field With Light Delivery Cars

SUCH motor cars as have been sold this year have been mainly in the lower price brackets. The big car makers have been forced to mark time, or, as in the case of Chrysler, shift the emphasis to smaller cars.

Stutz, which has long made a big, heavy car, has taken another way out. It has acquired, subject to directorial approval, a controlling interest in the Pak-Age-Car Co., now held by the Mechanical Manufacturing Co., one of the Swift interests.

The Pak-Age-Car aims to provide extremely economical delivery service, competing with the lighter trucks and with the horse-drawn vehicle both in initial cost and in operation and maintenance. It is designed especially for house-to-house service.

It features a new kind of construction, including a power plant assembled as a unit with the rear wheels and springs, which can be replaced in a quarter of an hour for servicing or repairs without entering the vehicle.

Production will be centered in the Stutz factory at Indianapolis.

State Moratorium Plans Stem Tide of Bank Suspensions

Test of Wisconsin law will thresh out important questions raised by such emergency action

MANY states have sought to stem the tide of bank suspensions by declaring "moratoriums" on bank operations for periods varying from days to months, but Wisconsin, pioneer in social legislation, has made the most outstanding effort to maintain banking facilities in communities where runs on local institutions threatened to hamstring trade activity.

At the instance of Governor La-Follette, a special legislative session passed an amendment to the general banking law providing for "stabilizing and readjusting the banking structure of any bank" if 80% of the depositors and unsecured creditors agreed to the plan proposed.

80 Banks Take Refuge

Since its passage in January, 1932, about 80 banks with deposits of over $45.7 millions have taken advantage of the law. These are usually small state banks scattered over the state. National banks are not included under the provision since they are not subject to state control.

Whenever the position of a bank is threatened, a "moratorium" or complete cessation of banking activity is instituted for a brief period. During this short suspension, an intensive drive is made to secure the consent of at least 80% of the depositors to a reorganization plan under the supervision of the commissioner of banking.

A typical plan provides that depositors agree to accept payment of 100% of their funds on a stagger system covering a 3-year period, with the bulk of their deposits available in the third year. During the first 6 months, no withdrawals are to be made. By the end of the first year, 10% may be recovered in 2 equal payments. Unpaid instalments bear interest at 3% per annum. New deposits are not subject to the limited withdrawal provision.

In the first 7 months of 1932, Wisconsin suffered only 19 bank suspensions, tying up deposits of little more than $7 millions. This compares favorably with the records of neighboring states such as Illinois whose suspensions totaled 159, Iowa 91, Indiana 55. Deposits tied up by bank suspensions in Wisconsin represent only 0.35% of total deposits, compared with 5.25% in Iowa, 5.21% in Indiana and 3.93% in Illinois.

A recent opinion of the attorney-general of Wisconsin on the position of government funds has proved disconcerting to the "stabilized" banks since the ruling would exempt state funds from the withdrawal limitation unless specifically agreed to by the state board of deposits. A move to test the validity of the law is being organized in Milwaukee county, where charges are made that less than 80% of the depositors consented to the readjustment plans.

The legislation brings up a number of interesting questions concerning bank regulation, such as, what constitutes solvency under the new law? can the banking commissioner legally permit an insolvent bank to remain open? can the consent of some depositors be made binding on all? These and other points are likely to be threshed out in court if the law is tested.

A number of other states have attempted similar stabilization schemes. Oklahoma reports that 18 banks of the state system have been opened by means of sterilizing old accounts until collections can be made for repayments.

Toy Workers Strike As Orders Begin to Hit

BAD news for small girls—there may be a doll shortage next Christmas. New York's Doll and Toy Workers Union celebrated its formation by calling a strike in the metropolitan district where over 20 million dolls, most of the country's supply, are made annually. Higher wages and better working conditions are demanded. The strike was timed to hit the market when orders were coming in. The interruption is almost certain to cause manufacturing delays, perhaps higher prices. Manufacturers say workers are gradually returning to their jobs, declare the strike will fail. The union claims 3,000 are out, their opponents say 1,000.

Jobbers and department stores have been ordering later every year. In the old days demand was indicated at New York's February toy fair. Last year jobbers were reasonably early but department store orders came as late as September. This season is worse. Orders are only dribbling in—and toys should be on retail shelves by November. Makers have gone stubborn, declare they will not start manufacturing until demand become actual. So there may be a dearth of all toys.

Rubber Doll Invasion

Problems of the industry include an invasion of the field by Miller Rubber Products (B. F. Goodrich subsidiary) with a new rubber doll, soft to the touch, tinted like pink flesh. There is a threat of mass production and a squeezing of small concerns if the novelty takes hold. Also, manufacturers are worried by a Japanese invasion of toys (mostly rubber).

Heavy demand for marbles has provided a bright spot. Reasons are: (1) Development of attractive new colors and (2) depression popularity of a low-price article with a sure-fire appeal.

The "Puff Sheet" Has Refined Its Technique

THOSE white-collar racketeers who used to be known as "con men" will tell you that the oldest bunco games are best. Hence the current revival of the hoary deception known as the "puff sheet."

Through the *New York Herald Tribune*, the Better Business Bureau is warning visitors to the metropolis against this racket. A refinement in technique is the use of long-distance phones to reach business men of the Middle West. The puff-sheet worker writes a flattering article about some executive or his business. Then he gets the prospective victim on the 'phone to read the piece, ostensibly for a check up of facts. Publication is to be in a magazine with a high-sounding name. It is suggested that the victim will want extra copies to distribute among friends and customers. Cost, $35 per 100. Cash eventually yields delivery of a shoddy publication without circulation or standing.

The business must be good. Some time ago there was an operator with branch offices in Chicago, Philadelphia, Boston, Cleveland, Pittsburgh.

The Business Week has a personal interest in exposing this fraud. Present operators devise names that sound over the 'phone like "Business Week." Of course no reputable magazine would employ such tactics.

While you dream of happy days and years ahead of you—plan for them—make your dreams come true

Metropolitan Life's contracts afford a means to

—create estates and incomes for families
—pay off mortgages
—educate children
—provide income in the event of retirement
—establish business credits
—stabilize business organizations by indemnifying them against the loss of key-men
—provide group protection for employees covering accident, sickness, old age and death
—provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

W

METROPOLITAN LIFE INSURANCE COMPANY
1 MADISON AVENUE, NEW YORK, N. Y.

I am interested in having details as to how a sound Life Insurance Program should be built. Please send a Metropolitan Field-Man who can, with a knowledge of my present earnings and future prospects, help me to start building.

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ADDRESS ______ STATE ______
CITY ______

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THE day you marry you become a builder of the future for your wife and yourself. You need help and the best helper you can find in all the world is your partner—your wife.

It may take years to realize your ambitions, but you can begin planning today.

From the day your building begins, your purpose — first, last and all the time—will be to build toward financial independence for yourself and your wife. That purpose will be the corner-stone in your building. If you map out in advance the steps you will take, you will anticipate the feeling of security and happiness which results from well laid plans from which the "ifs" are removed.

Ask a Metropolitan Field-Man to help you choose the corner-stone best adapted both to your needs and your pocketbook. Let him show you also, how, as time goes on, you can protect your home, educate your children and look forward to days of independence following days of accomplishment.

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT · · · ONE MADISON AVE., NEW YORK, N. Y.

Key to "Paradox of Prosperity" Seems to Lie in Profitless Sales

20. The American Consumer Market —A Study by The Business Week

THE estimates given in the 2 preceding articles of this series on the American Consumer Market indicate that, while the bulk of the total recorded national income in 1929 accrued to the vast number of individuals in the lower income groups, a still larger proportion of the total apparent expenditures for goods and services is accounted for by the mass of small-income consumers. The 98% of all individual income recipients who earned less than $5,000 and acquired 78.6% of the total recorded national income absorbed 83% of the goods and services consumed. The excess of expenditures for goods and services, together with taxes paid and savings made, over recorded income appears to increase with the decline in size of the income.

Excess of Expenditures

This discrepancy between income and outgo is only partly explained by the estimates given in the preceding article of additional income from sources not included in the recorded figures. Of this additional purchasing power, amounting as nearly as can be estimated to about $6.8 billions, the larger part probably accrues to the lower income groups in the form of annual increases in consumer credit, earnings from odd-job employment and trade-in allowances, though there is no way of determining how it is distributed. But even if all of it came as windfall to the poorer consumers there would still remain an apparent excess of expenditures over income of nearly $10 billions to be accounted for, and of this excess the bulk would fall in the lower income groups. Since the total income in these groups, even though supplemented from other sources suggested, is not sufficient to cover their apparent expenditures, one is forced to the conclusion that part of the goods and services absorbed by these groups after taxes are paid and savings made are not represented by actual expenditures at all, in the sense that they are bought by the consumers who use them, or are fully paid for by them.

Supplementary Buying

When this possibility suggests itself one begins to approach the heart of the "paradox of prosperity," and some of the most perplexing problems of modern American business. It is not possible as yet to probe very deeply into this paradox or these problems along the statistical path, but some aspects of the paradox are fairly plain. Just as it was necessary to take account of the supplementary sources of purchasing power on the income side of the equation, it is also evident that on the consumption side the goods and services paid for by consumers are supplemented from various sources sufficiently familiar.

In the first place, there were in 1929 over 3 million persons whose consumption requirements were supplied in larger part at least from sources other than their individual income, partly by government, partly by private charity. These include inmates of asylums, prisons, free hospitals, almshouses, orphanages, reformatories, and homes for the aged, as well as township and municipal dependents, beneficiaries of other local charities, and persons in active military and naval service. The total value of the goods and services consumed by these may be conservatively estimated at approximately $1.8 billions.

Bought for Employees

In addition, business concerns purchase directly for use by their employees or otherwise a considerable volume of consumers' goods such as a portion of the food and fuel consumed, some furniture, tableware, clothing, motor vehicles, as well as services, such as health and recreation facilities, which are consumed but not paid for fully or at all by those who use them. The value of these amounts probably to as much as $1 billion annually. To this item of goods and services consumed but not bought by consumers must be added the value of the food, lodging, laundry, traveling, entertainment, and recreational services paid for by business concerns in the form of expense accounts of employees amounting probably to another $1 billion in 1929.

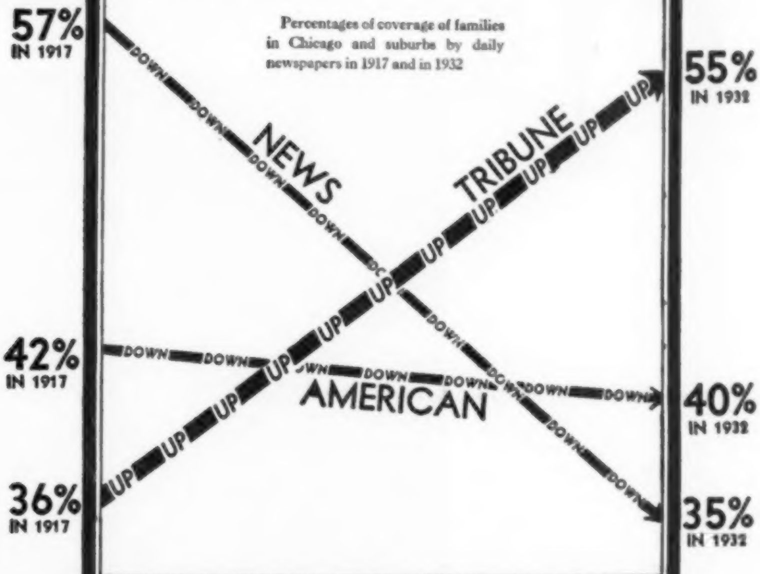
These three items, totaling approximately $3.8 billions, together represent a large effective demand for consumer goods and services not created by individual consumer income, and probably

Expenditure Budgets of American Consumers, By Income Groups, 1929

	$1,000 and under	$1,000 under $2,000	$2,000 under $3,000	$3,000 under $5,000	$5,000 under $10,000	$10,000 under $25,000	$25,000 under $50,000	$50,000 under $100,000	$100,000 under $150,000	$150,000 under $300,000	$300,000 under $500,000	$500,000 under $1,000,000	$1,000,000 and over
Food	33.5	32.2	20.7	14.8	10.4	7.6	4.1	2.2	1.8	1.7	.6	.4	.2
Housing	18.5	15.8	14.3	17.4	24.4	21.7	19.6	25.5	26.3	18.5	5.4	3.9	1.8
Transportation	14.4	15.8	16.0	10.8	8.8	8.1	7.1	4.4	4.3	4.0	1.2	.6	.2
Savings	2.7	4.8	10.6	16.2	14.0	21.9	30.1	31.4	35.1	43.5	67.2	71.3	76.5
Personal	9.0	8.8	12.8	13.6	15.8	12.0	8.2	6.2	3.7	2.2	1.0	.5	.2
Clothing	11.6	10.8	10.1	8.3	6.4	3.5	1.8	1.1	.8	.9	.3	.1	.1
Recreation	2.3	3.2	5.3	7.5	9.5	10.4	12.2	8.6	6.9	7.0	3.2	1.7	.6
Health	2.2	2.5	3.0	5.0	3.2	5.0	3.1	2.5	1.5	1.1	.7	.4	.1
Social Activities	1.5	2.1	2.2	1.5	1.6	1.7	2.2	2.5	2.6	2.5	2.8	3.6	2.7
Taxes	.8	.9	1.7	1.8	2.5	3.5	7.8	12.6	14.5	16.1	16.3	16.7	17.2
Education	1.1	1.7	2.5	2.9	3.2	4.5	3.7	3.0	2.4	2.4	1.2	.8	.4
Civil	2.4	1.4	.8	.2	.2	.1	.1	*	.1	.1	.1	*	*
TOTALS	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Less than .1%

COVERAGE



FAMILIES AND DAILY NEWSPAPER CIRCULATIONS IN METROPOLITAN CHICAGO

	1917		1932	
	Number	Coverage	Number	Coverage
Families	748,136	. . .	1,157,677	. . .
Tribune	270,810	36%	634,778	55%
American	313,800	42%	467,648	40%
News	428,746	57%	404,917	35%

Note: Circulations are averages for six months' periods ended March 31, and for city and suburban only.

YOU DON'T GET VOLUME WITHOUT IT!

NO salesman who skimps on calls gets volume. You don't get business without asking for it. And *you don't get volume if you don't ask enough prospects.*

There are 1,157,677 families in Chicago and suburbs. This market is no more of a push-over than any other big one. Newspapers which only skirt the edge of buying power and don't carry enough interest to sell themselves, don't get these millions excited. IT TAKES COVERAGE TO GET ACTION. Only *one* Chicago newspaper *has* it.

Fifty-five per cent of the families in Chicago and suburbs read the Tribune. 36 per cent more than read any other Chicago newspaper! Duplication considered, the Tribune reaches practically as many families in Chicago and suburbs as any two other Chicago newspapers *combined.*

In 1917, fifteen years ago, when the sweeping changes in American ideas and habits began, the Tribune had 36 per cent coverage and was third in volume of daily city and suburban circulation.

Today it is *first*—with a gain of 53 per cent in density of coverage. Meanwhile, every other Chicago daily newspaper lost its standing in the community, merged or went out of business.

Before a newspaper can sell goods for an advertiser *it ought to be able to sell itself.* It hasn't done that when it goes back while the population in its own community increases by 409,541 families—55 per cent.

When a newspaper trims, ignores the needs and interests of its community, cuts down on news, the public soon catches on.

The Tribune doesn't starve its news columns. It has not slashed its news service. It continues to send its trained reporters with the Sox and Cubs when they play out of town games. It continues to maintain the best staff of correspondents in every foreign country of importance to readers. It continues to cover every major event in the fields of finance, politics, or general news with specialists who are on the regular Tribune pay roll. It continues to print the news—*fully, accurately and interestingly written*—that the public wants.

Because the Tribune is constantly increasing the quality and quantity of its service to readers it is the *most popular newspaper in Chicago and suburbs.* It reaches more people in every level of family life of interest to advertisers than any other Chicago newspaper.

If you don't reach people, you don't sell them. The Chicago newspaper which gets volume of sales for advertisers in this market is the one that got volume of circulation for itself.

Ask about the new Tribune rates which enable advertisers to buy more space to get more sales in this market.

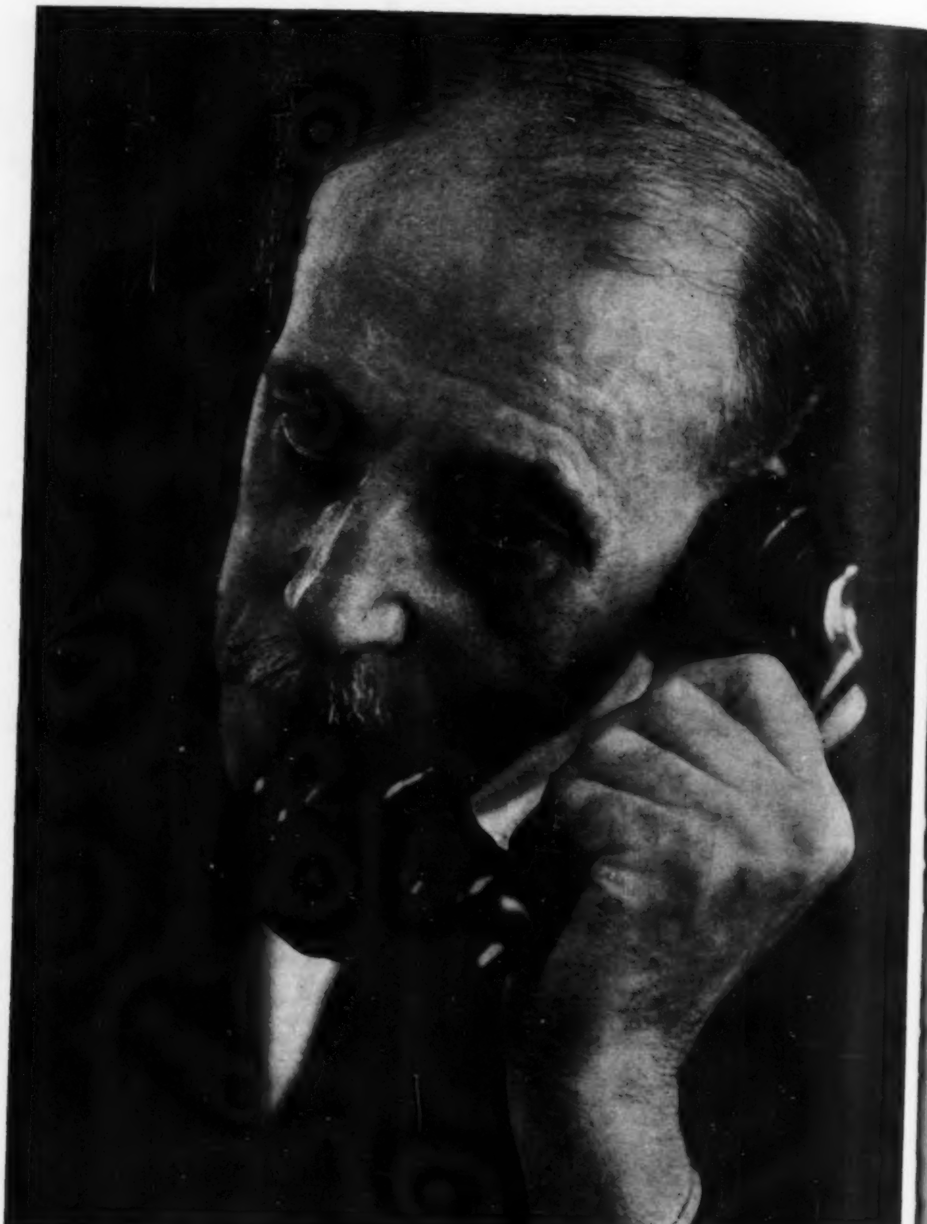
Chicago Tribune

THE WORLD'S GREATEST NEWSPAPER

FIRST IN CIRCULATION—FIRST IN ADVERTISING—FIRST IN RESULTS

Chicago Tribune Offices: Chicago, Tribune Tower. New York, 220 East 42nd Street. Atlanta, 1825 Rhodes-Haverty Bldg. Boston, 718 Chamber of Commerce Bldg. San Francisco, 820 Kohl Bldg.

Hold the campaign!



account for as much as 4% of the value of the goods and services absorbed by the consumer market. Presumably the larger proportion of this free consumption would accrue to the lower income groups. Food produced and consumed on the home farm has been excluded.

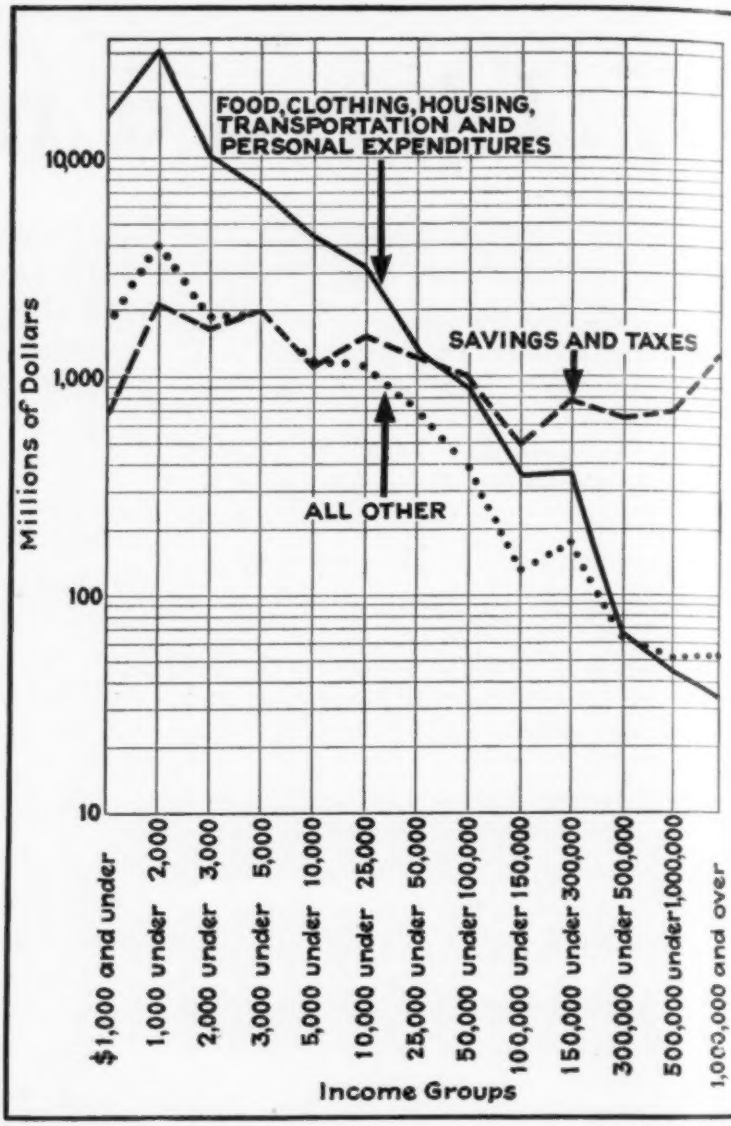
But all these additions to income so far discussed, actual or in the form of free goods and services, still leave nearly $6 billions worth of goods and services to be accounted for to cover the discrepancy between the total national income and the total value of goods and services consumed, taxes paid, and savings made in 1929. To understand what this last gap in the statistics may conceal it is necessary to recall specifically the nature of the expenditures figures that have formed the basis of this study.

As explained at the outset of this series, the figures for direct taxes paid and savings made are fairly definite and unequivocal. They represent amounts actually expended, saved, or invested by individuals. The same is essentially true of the estimates for the value of the services bought by consumers; they represent amounts actually spent or paid for the items covered.

Though taxes paid may not yield, in the judgment of the taxpayer, the full value desired in public services, and savings may be lost or investments prove disappointing, in neither case can there arise a discrepancy between the figures for the amount spent and those for the value of the goods or services received which could account for a difference between the national income and national expenditure. Likewise it is obvious that other services bought by consumers are consumed as purchased, and there can be no question of an inventory of unconsumed services produced.

But in the case of all estimates involving tangible goods the situation is necessarily very different. These figures represent the value or cost at the production point, plus the expense of transportation to the consumer, plus what the distribution agencies add for distribution costs plus profit. Breakage, spoilage, loss in shipment, and returned merchandise have already been allowed for in computing values. But it is a commonplace of business experience that consumers as a whole do not actually pay anything like that amount for the goods produced each year. Apart from those which are furnished to consumers free, and are paid for by others, part of them are sold below the cost value plus profit.

On the basis of data from the Statistics of Income it may be estimated that the increase in inventory of unsold finished consumers' goods in 1929 was $1.5 billions, which represents the value of the excess of goods produced over goods consumed in that year, and must be deducted from the figures for total consumer expenditure for goods used in this study to arrive at an estimate of the value of the goods actually consumed. This "surplus"—or in some years a "deficit"—is not large, and indications are that it does not vary much either way. So far as finished consumers' goods and services are concerned there is very little evidence of any important overproduction or underconsumption. Almost all that are produced are consumed somehow, at some price, or at somebody's expense.



The Business Wee

BUYING POWER—*Goods and services sold by business in 1929 went chiefly to the low-income groups. Savings and taxes were more evenly distributed*

The picture for 1929 is approximately as follows (in billions):

Total estimated value of consumer goods and services produced		$106.1
Institutional consumption	$1.8	
Purchased by business concerns	1.0	
Employees' expense accounts..	1.0	
Annual inventory increase....	1.5	
	$5.3	
Net indiviudal consumption		$100.8
Total recorded monetary income	89.6	
Supplementary income	6.8	
Total purchasing power....		$96.4
Excess of individual consumption over purchasing power.		$4.4

What does this rather impressive residue, this deficit of nearly $4½ billions in the national family budget represent?

Every item in the balance sheet of consumption and expenditure for which there is any reasonable statistical basis has been accounted for, and perhaps the best way to deal with the discrepancy is to dismiss it as the net result of all the possible errors in this colossal accounting experiment. But a figure representing about 5% of the total domestic business market for goods and services, larger than the entire federal budget and our whole foreign trade, cannot be lightly brushed aside after a painstaking assembly of statistical data which are in largest part official and which for all important items have a fairly definite basis.

Is This Red Ink?

By way of explanation, and as a conclusion of the whole study, it is possible only to venture a suggestion, necessarily tentative and purely speculative till more complete statistical data are available to throw further light on the problem. Probably this sum of between $4 and $5 billions may be a rough measure of the net value of the goods and services that in the peak year of prosperity were sold to consumers below cost or without profit, or at less than the cost value plus normal profit, and may represent the amount of business capital that was dissipated in consumption during that year.

To describe how this could occur in our business economy would lead into too complex questions to be discussed here, but the phrase "profitless prosperity" is unconscious testimony to the fact that a considerable part of our business in recent years has been conducted on that basis, as the common complaints about cut-throat competition and the agitation for revision of the anti-trust laws also attest. Some of the losses incurred in corporate enterprise are commonplace knowledge, but the annual loss of small investments of business capital in the myriads of evanescent retail enterprises is still largely unexplored statistical territory, though everyday business experience and observation indicate that it must be very large, while there is definite evidence that American agriculture as a whole has operated in most years since the war at a net loss running into billions.

Uncomfortable Thoughts

If this broad assumption has any basis, however, it points clearly to the conclusion that the purchasing power of consumers in the lower income brackets, which depends principally on industrial wages and farm earnings, was too low even in 1929 to buy and pay full cost value plus normal profit for

the goods and services they consumed. As the chart and table indicate, it is these consumers who absorbed the bulk of the goods and services sold, and it must have been in competing for a share of their inadequate income that the losses of business capital must have chiefly occurred.

One might go farther and suggest that what was not paid out in wages to workers or in dividends to small income recipients, or in fair prices to farmers, sufficient to enable them to purchase the goods and services produced was in the end lost to business profits and to business capital anyway. Perhaps this process of dissipation of capital is an inevitable characteristic and a sort of self-preservative compensation mechanism in our economic system; but here one leaves the field of scientific knowledge and enters that of pure speculation, where, for the purposes of this publication, it is necessary to stop.

New Selenium Steel Extends Stainless Range

THE list of materials which combine happily with iron to impart special characteristics to steel is long, includes many metallic elements, some that aren't.

Tungsten steel is hard, one of the earliest combinations. The famed Damascus blades owed their keenness to tungsten. Vanadium steel is tough, can be stamped, formed, and "folded" without cracking. Cobalt made possible super-high-speed steels. Hardest, toughest of all, perhaps, is manganese steel.

Stainless steel, most recent, is made so by its chromium content, with nickel added to make it easier to machine.

Just when it would seem that research had about exhausted the possibilities, the Carpenter Steel Co. reports another addition to this large and versatile family: selenium, which makes stainless steel still easier to machine.

Selenium is that strange metal named after the moon which is sensitive to light. In darkness, its electrical resistance is high; in light, its conductivity increases as much as 100%.

The new selenium steel, known as Carpenter Stainless Number 8, is an orthodox stainless steel containing some 18% of chromium, and 9% of nickel, and 0.25% of selenium. It is this ¼ of 1% of selenium which does the work. Its use is patented.

Selenium stainless opens the way for more stainless steel screw-machine work, makes possible deeper stampings and additional corrosion resistance.

Retailers' Stocks Go Out As Wall Street's Go Up

HAPPY days are here again in Wall Street. Employment has gone up in the brokerage offices as stocks have gone up on the big board. In shops of the financial district, along the arteries to the ferry, the Pennsylvania and the Grand Central Terminals and in the terminal buildings themselves, the brokers and their staffs have been spending.

Restaurants along the golden trail have found their business growing in almost direct proportion to the growth in market activity. Current sales gains over a year ago range from 15% to 50%. Expense-money suppers have swelled the receipts of those that are joyfully reverting to the historic practice of keeping open when big stock turnover figures warn them that brokers' men will be working overtime.

Men's and women's apparel and shoe shops within reach of Wall Street money report that business began to improve the day that stocks turned upward, that sales totals are now riding up—and down—in close synchronization with the quotations.

Specifically the John David store for men in the financial district is averaging 15% ahead of last year. Wall Street's handiest John Ward store (one of the Melville shoe chain) has run 30% ahead in some recent weeks, is averaging a 10% gain. French, Shriner & Urner over on Broadway is "well ahead" with big days coming after every big day on the Street.

Urgent buying this. These stores report an unprecedented number of put-it-on-now customers. Hats and shoes walk out; old ones are left behind.

Luxuries Feel the Lift

It is also buying that goes beyond necessities. Among retailers who have "made money on the market" Mark Cross, widely known for leather goods and luggage, is reporting a steady pickup in sales, though August is decidedly off-season; Fleishman, the florist, is feeling the change; so is A. G. Spalding & Co., sporting goods.

Significant contrast: John W. Ryan, fashionable haberdasher, operates one store in the Long Island Station directly in the path of commuter traffic between Wall Street and the Island. Its sales are running well ahead of last August's; averaging 15% better. There's another John Ryan store upstairs in the Penn Station, catering less to the "city" trade, more to travelers on the main lines of the Pennsylvania. Sales there have shown no improvement.

Low Rates and Emigrants Help Lines, But Not Enough

WHEN the members of the North Atlantic Passenger Conference decided last April to make drastic reductions in the rates in all classes of travel, American lines were enthusiastic, the British were reluctant, the French and Germans "highly unwilling."

The reluctant and unwilling members pouted just a little, and then set out like good sports to make the most of the new plan. They estimated at the time that it would be necessary to increase traffic between 30% and 40% to make up for the reduction in fares.

Few businesses are more close-mouthed than the shipping lines when it comes to letting out "the dope" on their business returns. Actual travel figures are revealed once a year when the conference reports. Murmurings in the recent Paris meeting of conference members would seem to indicate, however, that many of them would like to see some upward adjustment of the rates, evidently because bookings have not come up to expectations. All this despite the fact that both London and Paris were astonished at the unexpected influx of tourists late in June and in early July. Bargain prices, however, stand. And weekend cruises for the late summer are now advertised as low as $30. If such rates aren't profitable, they have become a habit.

The Benefits of Bargains

Bargain rates and novel short cruises have brought some benefits to the ship lines. Britain has gone in for them in a large way—has booked heavily on 123 cruises this summer. Hamburg has displayed interest for them, and the Germans are running a large number from both the major north German ports.

The depression has also given birth to another travel urge. Third-class bookings out of New York have been unusually heavy. Immigrants, once the backbone of transatlantic travel, have turned emigrants this year. For the first time in years, the number of persons leaving this country was greater in 1931 than the number coming in. The Washington Bureau of Immigration reports that for 1932, the number of persons leaving the United States will be 3 times as large as the number seeking new homes here.

This is gravy for the steamship lines. When the British and the Scotch and the French and the Irish decide to go back to the Old Country because it is cheaper to live there, the steamship companies book their third-class solid. And the officials have noted shrewdly enough that the emigrants take little with them, declare openly that it may be for "something more than a visit" that they are returning, but it certainly is not permanent.

The Italians are the only Continental people who continue to send more people to this country than have returned to old homes. Italian liners, however, have been booked heavily this summer with passengers at least making a visit to the homeland on reduced rates.

Fall prospects are uncertain. Some cruises have had to be cancelled. The winter cruise programs are intentionally delayed. The interval is evidently being left to take care of itself as business and the travel whims of the public dictate.

U. S.–Planned Baby Cars Boost German Exports

EUROPEAN NEWS BUREAU—Few things are more important to Germany in the present economic stringency than her export trade. Only by selling more goods than are bought abroad can sufficient foreign exchange be accumulated to pay interest charges on a vast foreign debt, a large part of which is already frozen.

Berlin recently uncovered one encouraging factor, in this connection, which is of more than passing interest to the American automobile industry. For the last 18 months, exports of automobiles from Germany have been larger than imports of foreign-built cars. Total passenger car and truck business is summarized:

	Imports		*Exports*	
	(Value in millions)			
	Number	*Value*	*Number*	*Value*
1st half 1931	2,229	$3.8	4,976	$4.4
2d half 1931	1,120	1.75	6,244	5.01
1st half 1932	1,016	1.17	5,946	3.6

German automobile manufacturers are well aware that this movement in favor of Germany is due to the progress of the new 4-cylinder, 22 hp. baby car which has found its way into many markets where price is now a stronger

argument than quality. While the average value of an imported passenger car remained practically unchanged at about $1,000, the average value of an exported German car fell within the period from $1,300 to $560.

Nearly two-thirds of the German baby cars exported are manufactured at the Opel works, controlled by General Motors. While the percentage of baby cars exported to European countries dropped from 93%, in 1930, to 78% of total automobile exports in the first half of 1932, the number sold in overseas markets jumped from 7% to 18%.

Opel works operated at a loss in 1930 due mainly to reorganization of the company's manufacturing policies. The new plan is to build fewer models, concentrate on an economical small car.

British Dye Users Have Been Pushed Too Far

EUROPEAN NEWS BUREAU—When the War ,upset the usual flow of trade and showed the British textile industry the advisability of cultivating a domestic dye industry, the principal users of color agreed that it would be wise to protect a domestic industry even if it meant higher prices for a time. That was 10 years ago.

Early this year the protected British dye interests entered the European dye cartel in which were the principal Swiss, German, and French producers. Aim of the cartel, of course, was to stabilize prices at a profitable level. The result in Britain has been a marked increase in prices. It is estimated that prices are now at twice the pre-war level. The Color Users' Association has entered a protest. After all, the British textile industry is having a sufficient struggle to compete against the low-priced Japanese competition and to cross mounting tariff barriers without this new 20% to 40% increase in materials costs. They are asking that the 10% duty on dyestuffs be removed.

Production Increases

The position of the dyestuffs industry and the textile manufacturers is better understood when a few facts are studied. British production of dyes has increased from 9,114,134 pounds in 1913, to almost 48 millions in 1931. Peak was in 1929—55 millions.

The state of the industry, by and large, is good, but it has its troubles. Exports have increased from £177,246 in 1913 to £1,016,238 in 1931. Imports (under license), however, have jumped from 2½ million pounds to nearly 7 millions in the same period. Users declare this jump is due to the more progressive methods of foreign firms.

It is natural that the dye manufacturers should seek every advantage possible under the depressed state of world business but they may find it necessary to withdraw from the cartel to retain their tariff protection at home.

German Razor Blades For German Beards

EUROPEAN NEWS BUREAU—Germany is going after the domestic razor blade market in an aggressive new campaign.

As long ago as 1926 the proud cutlery makers of Solingen were faced with a foreign competitor. Gillette Razor Co. acquired control of an old Berlin firm and set out to capture the German razor blade market with American sales methods. By 1930, more than half of the blades and three-quarters of the razors used in Germany were Gillettes.

When the invader brought out the "Rothbart–Luxuosa" blade in 1930, sold it at 12½¢, the famed old Solingen cutlery dealers—nearly 200 of them—decided it was time to combine to wipe out the "foreigners." A little hastily they launched a campaign to "buy national." Disgruntled German steel producers, however, reminded them that they made their best cutlery from imported Swedish steel and suggested that they discontinue the campaign, or buy their steel at home.

Gillette Output Increased

In the 2 years that have elapsed, imports of Gillette blades have declined rapidly, but the standing of the Gillette subsidiary in Germany has improved. Output has expanded rapidly and the Solingen manufacturers have had to admit that quality is up to standard.

Germany's "home" comeback now comes from the Deutsche Edelstahlwerke A. G., at Krefeld, center for the production of high-grade steel. In cooperation with the German General Electric company, Krefeld manufacturers have perfected a new $250,000 automatic machine capable of turning out 80,000 blades a day.

Solingen craftsmen are again indignant. A part of their steel demands have been filled at Krefeld. For a supplier to become a competitor, they contend, is very bad business ethics. But Krefeld is pointing blandly to large imports of Swedish steel for Solingen factories, is offering a chance for financial participation on the part of Solingen, is going ahead with plans.

Business Abroad—Swift Survey Of the Week's Developments

Recent optimism sustained. . . . German industry reacts favorably to vast government-subsidized reconstruction scheme. . . . Textile lockout in Britain involves 150,000; may spread to entire industry, affect 500,000 workers. . . . French business concerned over prospect of strict budget economies likely to curtail public purchases. . . . Italy preparing for conversion operation; government steps in to aid industry. . . . Central Europe ready to ask import privileges in creditor countries. . . . Silk prices skyrocket; Japan heartened. . . . Multiplying constructive plans for recovery brighten economic prospects.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Europe is digging in on constructive programs to help pull business out of the rut into which it had sunk in the last few years. Optimism continues. The tone is generally good.

Germany offered the outstanding contribution this week to the list of constructive measures. The vast government-subsidized reconstruction program announced by von Papen a week ago has been received favorably in Germany and abroad. Industry is to have this year's taxes remitted in interest-bearing certificates which can be used later to pay future taxes. Employment is to be subsidized. The government is staking well over $500 millions on the upturn in business which is thought now to be on the way.

Britain, after the success of the big conversion operation, is lowering the ban on new securities just enough to allow dominion conversion operations. Industry is angry, declares that it has held off important capital issues long enough. Real depressant to business this week was the Lancashire strike. More than 150,000 weavers are already out. Government intervention is likely.

In Warsaw, the agricultural states of central and southeastern Europe are in conference formulating plans to present a united front to their creditors with a demand for preference import quotas on their products at least up to the amount of their debts.

The visit to the United States of Montagu Norman, governor of the Bank of England, is causing considerable concern in Europe. The French are afraid that the British and Americans are reaching some accord on war debts which would act outside the gentlemen's agreement recently signed. London is speculating as to whether the visit is tied up with a loan from New York, plans for the return of sterling to the gold standard, or preparation of a monetary program for the coming world economic conference.

Spain Has New Road Taxes

Closely following the report of the Royal Commission in Britain regarding railroad and bus services, the Spanish government has announced that it will levy new taxes on road transport vehicles in an effort to make them bear a just share of the cost of upkeep of the roads and force them into a fairer competitive position with the railroads. "Otherwise," declared the government spokesman, "the government will be left with the railroads on its hands." The short distances in Spain and the fine roads make the bus lines popular.

France

Budget deficit begins to worry business; may curtail various equipment orders anticipated as part of enlarged public works plans. . . . Unemployment up. . . . French anticipate debt write-down.

PARIS (*Wireless*)—The ghost of an unbalanced budget returned to France last week to worry business. When the Minister of Finance once more reviewed the budget situation and warned taxpayers of numerous economies which will be necessary, business was in a mood to take it seriously. It is bound to have an effect on hoped-for materials orders for the railways, for roads, departmental electrification, and community building.

This warning that public works plans are not likely to be expanded turned public attention to unemployment which continues to rise even at a time when seasonal demands in farming areas and on construction activities usually absorb many. New decrees have been issued by Paris demanding that no more than 5% of the laborers on municipal and semi-public works projects be foreigners. Private concerns are subjected to even stricter regulations.

National revenue returns for July were 32% below the figure for July of last year. Railway revenues are down 17% for the year.

The French are suspicious of Montagu Norman's visit to the United States. Paris is inclined to interpret the call as a move by the British to form a separate war debt agreement outside the gentlemen's agreement which the French and the British planned at Lausanne.

According to the Franco-American debt arrangement, France must declare her non-intention of resumption of suspended debt payments before Sept. 15, but most observers think Paris is unlikely to take this course, will probably wait for the United States elections and hope for a further moratorium afterwards, or for large-scale writing down with amortization planned over a period of from 3 to 5 years with payments made through a foreign loan to be floated in the United States.

Great Britain

Textile strike most depressing factor in British trade outlook. . . . Weavers may be joined shortly by spinners, bringing total strikers to 500,000, completely tying up the Lancashire industry. . . . Stock markets strong. . . . Industry still depressed. . . . Ban on securities market partially lifted; private issues barred.

LONDON (*Cable*)—All Britain is more concerned this week over the textile strike than over any other development affecting business. More than 150,000 laborers in the weavers' section of the vast Lancashire industry are out now, and spinners will vote in another 10 days on a 10% wage reduction. If they should refuse to accept the cut, it would bring a complete tie-up in the industry and raise the total number of employees affected to 500,000.

The strike has been brewing for months, has been inevitable for nearly 6 weeks. In one of the most important, but most radical, of the districts in Lancashire, union weavers struck last spring over wages and hours. They were replaced by non-union men—nearly 3,000 strong. Since that time, employers and workers have come nearer an agreement on wages but the unions refuse to complete negotiations and return to work unless the 3,000 members who have

been displaced are reinstated. This is what finally precipitated the strike which threatens now to spread to the entire industry.

Coming at a time when rising commodity prices had roused hopes in Britain that the textile industry might revive, and at a time when Japan is again threatened in the great China market, the strike is most unfortunate from the industry's point of view. Labor sympathizers look at it as just one more evidence of the solidarity of British workers. Government intervention will probably be necessary to break the deadlock between employers and workers. Unless action is prompt, it is likely that the unrest will spread.

Despite the seriousness of the textile situation, business is not depressed. Stocks are strong again after week end profit-taking. Bonds also are buoyant. Rubber shares were the most spectacular in early-in-the-week increases; textiles, naturally, were dull.

Industry is depressed, especially coal, iron, and steel. Chemicals, food, drink, and tobaccos are slightly improved.

Dominion Conversions Next

Securities markets are openly antagonistic to the government's ban on new issues, which eased this week to a partial ban. It is now planned by the Exchequer to allow limited conversion operations other than for government use. These operations at first will be strictly limited to the exchange of one class of security for another without change of ownership. The Commonwealth of Australia, for example, will be allowed to refund the New South Wales 5¾% loan maturing on Nov. 1 under this new easing of market restrictions. Private firms are strongly opposed to the partial restrictions which remain, are eager to get into the market for new capital.

Italy

Unemployment increase brings government aid to agriculture, larger public works program, shipping subsidies. . . . Stock exchanges will come under full government control. . . . Industry is slack. . . . Ford expands, Mussolini wants a native small car.

MILAN (*Cable*)—Though unemployment is increasing in Italy, business conditions are relatively no worse than in other European countries. There is considerable satisfaction in the promptness of the government in meeting each emergency.

Chief reason for distress is the farm crisis. To meet this emergency the government has taken 4 important steps: (1) The surtax on wine has been removed; (2) cattle taxes have been lowered; (3) by government decree, millers must use 95% domestic grain, and the import duty on wheat has been increased again to protect prices; (4) the government has promised to contribute as much as 25% of the cost, or to lend up to 50% of cost at 2½% interest, to farmers building silos or grain storage warehouses. By this last move it is hoped that the government can bring about the more orderly marketing of wheat; later to encourage similar aid in marketing other farm products.

Public works programs will continue this winter. Last year more than $107 millions were spent by the government on various projects, and cities and provinces were urged to pursue similar policies. The same amount has already been appropriated for the coming winter.

Subsidy for Scrapping Ships

To keep the Italian merchant marine up to the high standard which the country has set, and to give work to more unemployed, the government has extended the subsidy for scrapping of obsolete ships and enlarged the subsidy to various lines. All of this aid has come since the reorganization of the lines under government supervision.

Further to aid the transport business, the government and the railroads and shipping lines have cooperated on various travel inducement plans. Newlywed couples can get a trip to Rome at 80% reduction of fare. Weekend excursion trains are operated throughout the country at reduced rates. Excursions on train or boat are planned for foreigners to visit historic Italy. More than 3000 Italians booked on one of the country's largest liners for a weekend cruise along the Riviera recently.

Business of the stock exchanges has been dull, volume small. The government is paying close attention to transactions. Beginning Jan. 1, 1933, government control of the exchanges will become fully operative. In the meantime, the Minister of Finance has appointed one representative to supervise business on each Bourse. All Italian brokers are forced to contribute to each Italian market common guaranty fund. Then, in the case of failure of any broker to meet his obligations, this fund will be used to meet these obligations.

Industry is slack. All textile lines are feeling the competition of Japan in export markets and restrictions in various markets where trade barriers have been raised. Automobile registrations are up. Ford, which is directly controlled from the American Ford Co. and is not a subsidiary of the British Ford, reported a profit for 1931. The plant has been expanded from a small assembly to a large factory making most of its own parts and selling in Italy at considerably lower prices than formerly. The government, however, is still hoping to have some local manufacturer bring out a small car comparable to the British Austin.

Germany

Vast reconstruction program proposed by von Papen wins wide business approval. . . . Stocks boom. . . . Subsidy plan may give work to more than 1¾ millions, but at low wages. . . . Discount rate to drop to 4%.

BERLIN (*Cable*)—Conservative opinion in Berlin anticipates now that the country is going to be ruled, until spring at least, by a von Papen dictatorial régime. With this in mind, a great deal of interest has attached from the first to the reconstruction plan which was announced by the government early in the week. While there is still much to be explained and interpreted, the essentials of the plan are these:

For the next 12 months, the government will refund to industry the full amount of the transportation tax; 50% of the turnover tax; 40% of the trade tax; and 25% of the real estate tax. This refund will take the form of tax payment certificates which will bear 4% interest and which are discountable at the Reichsbank, and which can be used to pay taxes for the years between 1934 and 1938. More than $360 millions are estimated to be involved in this plan, which is virtually a subsidy to business.

Premiums for Re-employment

A second part of the plan provides for straight premiums to be paid to companies which can show increased employment. More than $170 millions have been allotted to this fund. Since less than $100 is paid per re-employed person, if the fund is completely used more than 1,700,000 jobless Germans should find new employment this winter.

Germans are not yet wholly familiar with the plan but it is already being favorably received in the business community, but not by the Nazi party. Stocks soared immediately after the an-

International News

"PROFESSOR SKINNER"—*Mr. Montagu Norman, Governor of the Bank of England, slips quietly into the country, incognito if not in disguise, "to visit friends." His quiet visits usually affect international finance*

nouncement. The Berlin Boerse experienced something of the same sort of boom which followed the announcement of the Hoover moratorium more than a year ago. Business generally is interpreting the move as evidence that the government thinks the bottom of the depression has been reached. It is adopting something of the Washington strategy of borrowing on the anticipated upturn of business in its plans for reconstruction.

Further encouragement came to industry with the announcement that the discount rate of the Reichsbank is likely to be cut from 5% to 4%. A few legal difficulties are still in the way. They may be cleared this week.

Latin America

Political uncertainty impedes commercial progress. . . . Brazil still hidden behind a mask of censorship. . . . Colombia sells more coffee on threat of Brazilian shortage. . . . Nitrate-wheat barter deal delayed.

LATIN AMERICAN business is tardily reacting to the wave of business optimism which has been spreading slowly over most of Europe and the United States in the last 6 weeks. Commodity price improvement has been a bullish feature which revolution and rather widespread political uncertainty have counterbalanced.

Coffee Moves Irregularly

Coffee is continuing to climb on the lack of news from Brazil. Hostilities between the São Paulo rebels and the Rio de Janeiro federals are continuing. Shipments are moving out of Rio regularly but vast quantities of coffee which usually leave São Paulo through the neighboring port of Santos are blocked. Colombian exports of mild coffee, meanwhile, have jumped ahead nearly 6%.

Argentina, still one of the brightest spots in South America, is talking of a moratorium on foreign loan service charges. Authorities in New York are hopeful that the country will find it better policy to maintain these payments. Persistent rumors, however, may mean that Buenos Aires is seriously considering the move.

The nitrate-wheat barter deal which has been discussed for several weeks in Santiago and Washington has not yet been settled. Government officials refuse to disclose the results of most recent negotiations and business has not been informed how soon settlement can be expected.

Far East

Soaring silk prices close Japanese silk exchange temporarily, help to turn yen exchange upward, bring promise of relief to Japanese farmers. . . . Exports still heavy; imports automatically curbed by low exchange value of yen. . . . China revives boycott.

NOTHING was more significant in the Far Eastern economic picture this week than the spectacular spurt of silk buying on the Japanese exchange. Prices soared nearly 37% above the previous level, and officials ordered the exchange closed temporarily.

Growing silk demand is due to the general revival of commodity prices and confidence of buyers, as well as to the knowledge that fall styles demand an increasing amount of silk. There is no silk shortage in Japan. The government holds large stocks of indemnified silk, but these are to be utilized in other ways in order that the market may not be glutted. Meanwhile, the new crop has been curtailed nearly 14% and visible supplies are not over-large. Demand last week suddenly got ahead of supply. It will be adjusted soon and prices are likely to ease, though probably they will not fall back to previous low levels.

Yen exchange reflected the better economic position in Japan if silk prices can remain firm and demand steady. Even at the present level, it is depreciated more than 50% and observers are inclined to view it as an automatic curb on imports. With rayon exports up, with cotton goods selling well abroad despite the new threat of boycott in China, and with American demand for silk reviving, the outlook this week is better.

Textile executives also see the possibility of improved foreign demand if the British textile strike spreads and lasts for any period. Japan already has usurped the Indian market, and much of the Near East buys the coarser weaves from the Japanese.

Stock markets are more active. A part of this is due to the improved sentiment in other world centers and a part to the prospect of reviving industrial activity at home.

Japan reflected no great anxiety over the outbreak by Chinese irregulars in Mukden this week. From the Chinese angle, it is significant that the move coincides with a revival of the Japanese boycott throughout central and northern China indicating, evidently, that the Chinese feel that Japan's position on the mainland is weakening.

The Figures of the Week And What They Mean

The strength in commodity prices is still the outstanding favorable aspect of the business world, though the seasonal gains registered in bituminous coal, electric power, and carloadings add to the gathering confidence. . . . Public works construction awards are approaching the July rate. . . . Check transactions labor under the double blow of meager trade volume and the tax. . . . Currency is returning to the banks, but plenty is still available in the hands of the public. . . . Wage reductions in the coal fields and the railroad industry are being sought as earnings show small indications of any immediate improvement.

THE steel industry continues to mark time as orders are still not in sufficient volume to stimulate greater activity. As the Labor Day holiday approaches, production is being brought to lower levels in spite of the fact that this day is not a usual steel holiday. Activity during the last week of August receded to 13% of capacity, equal to 20% of normal, and but slightly greater than during the July 4 week.

Efforts to stimulate buying in both the construction and railroad industries are proceeding very slowly. Railroad buying is virtually nil, although a few scattered inquiries are coming through to facilitate repair work. Outside of the Baltimore & Ohio and the Pennsylvania railroads, little interest has been evinced in the government offer of funds for modernization of equipment, even though the latest reports indicate that the government is willing to assume 80% of the cost of such purchases. Already loans to the roads promise to total a half billion before the year expires, representing a substantial government interest in the railroads that is likely to increase next year. With the July returns of 72 roads indicating a 78.8% decline in net operating income from a year ago, the hesitation of the carriers is not difficult to understand. In the meantime equipment out of repair is increasing. On Aug. 1, locomotives on Class I railroads in need of repair represented 16% of the number on the line, and freight cars in bad order equaled 11.5%. It is this pent-up, future purchasing that must eventually take place that gives the steel industry its chief encouragement.

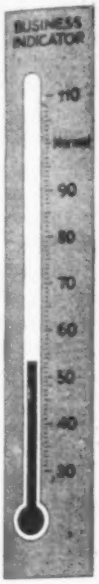
Automotive Production

In the motor line, August was never a heavy month even in more active years, and less is expected this year. July production of motor vehicles is reported by the Department of Commerce at only 118,611 against 190,204 in June. Estimates for August and September together will probably not exceed July, since both Ford and General Motors are operating at low rates. A little steel is expected to be required for the making of new models in September, but demand in any volume is not likely to be forthcoming until October.

The expansion of pig iron sales, and the firmness of commodity and steel scrap prices is felt by *Iron Age* to be laying the basis for recovery, although such sales are below the usual volume

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*53.6	†53.5	71.0	......
PRODUCTION				
Steel Ingot Operation (% of capacity)	13	14	31	64
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,380	$4,784	$9,302	$17,467
Bituminous Coal (daily average, 1,000 tons)	*825	†779	1,186	1,500
Electric Power (millions K.W.H.)	1,436	1,432	1,638	1,613
TRADE				
Total Carloadings (daily average, 1,000 cars)	86	85	125	167
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	59	58	82	106
Check Payments (outside N. Y. City, millions)	$2,468	$2,746	$3,497	$4,732
Money in Circulation (daily average, millions)	$5,706	$5,725	$5,013	$4,789
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.47	$.47	$.42	$.97
Cotton (middling, New York, lb.)	$.088	$.078	$.070	$.159
Iron and Steel (STEEL composite, ton)	$29.24	$29.26	$31.04	$34.34
Copper (electrolytic, f.o.b. refinery, lb.)	$.054	$.052	$.073	$.127
All Commodities (Fisher's Index, 1926=100)	61.9	61.8	68.9	88.5
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,330	$2,347	$1,194	$1,237
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,499	$18,580	$22,030	$21,903
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,280	$6,326	$7,858	$8,670
Security Loans, Federal Reserve reporting member banks (millions)	$4,548	$4,583	$6,477	$7,049
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$355	$344	$1,349	$3,614
Stock Prices (average 100 stocks, Herald-Tribune)	$90.71	$87.86	$117.27	$156.98
Bond Prices (Dow, Jones, average 40 bonds)	$82.03	$82.12	$93.22	$95.33
Interest Rates—Call Loans (daily average, renewal)	2%	2%	1.5%	4.5%
Interest Rates—Prime Commercial Paper (4-6 months)	2-2¼%	2-2¼%	2%	4.1%
Business Failures (Dun, number)	589	648	436	406

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week,* May 7, 1930, p. 39.

for the season. Steel prices for the fourth quarter will soon be announced, and efforts made in some instances, such as sheets, to reinstate the prices prevailing before the recent weakness. Reduction in tin plate prices may be avoided if business shows any tendency to improve by Oct. 1.

Iron and Steel Imports

Imports of certain iron and steel products during the first 6 months of 1932 totaled 209,003 tons compared with 232,942 a year ago, but a number of items show substantial gains that have aroused officials of the American Iron and Steel Institute to move for higher duties. Pig iron increased from 55,823 tons to 75,203; tin plate from 59 tons to 7,191 tons; hoops and bands from 9,592 tons to 11,644 tons.

Construction awards during the third week of August show some improvement over the first half of the month, particularly in the residential and public works and utilities groups. The latter group is now little more than 1% behind the daily rate of July, while residential awards are but 9% under the July rate.

From Aug. 1 through Aug. 22, awards in the 37 states aggregated $85,863,000, bringing the daily average only 12.3% behind the preceding month. More than half of this total represented awards for public works and utilities, amounting to $45.1 millions. Next in volume came awards for non-residential construction, totaling $27.1 millions, but since this group received a slight setback during the third week of August, the daily average of the first 3 weeks runs 27% behind the June average. Residential contracts were valued at $13.6 millions.

Bituminous coal production appears to have gotten a good start on its usual seasonal expansion, though the revival came at least a month late. Anthracite production has been declining in the past 3 weeks in spite of the low supplies on hand in retailers' bins. Negotiations for wage reductions in the anthracite fields are scheduled for Sept. 6, with operators ready to demand a 20% to 40% reduction.

Electric power production has advanced slightly for the second week ending Aug. 27, a trend that is largely seasonal. Comparable weeks of the past 2 years showed decreases. Output was 12.3% below a year ago.

Carloadings Better

Carloadings are also showing a gradual seasonal improvement during August, but the earnings reports of the roads indicate that a much better record must be established before the roads can feel that they are out of the woods. For this reason, railroad executives are getting an early start in their discussions of bigger and better wage cuts to take effect when the present 10% agreement expires in February, 1933.

Check payments during the week of Aug. 24 reached a new low for any week on record. The index remains unchanged at 61% of normal. It is likely that the tax on bank checks is having some effect on the volume of check payments. More purchases are being made for cash. But the chief factor remains the general trade stagnation.

Currency circulation, which has run counter to the usual seasonal trend for the better part of the last few months, continues to do so. At present, currency seems to be returning to the Treasury and Reserve Banks instead of being in demand for trade expansion. But the volume outstanding is still more than ample to take care of present and future needs for some time, particularly if it could be made to change hands more frequently.

Credit expansion by banks also fails to follow seasonal trends. Persistent contraction of commercial loans by weekly reporting member banks has sent loans outstanding $1.1 billions below the volume of Jan. 6, 1932.

Commodity Prices

Commodity prices continue to push upward in spite of the many expectations that a halt should appear soon. Cotton reached 10¢ a pound in some months. Advances have been posted on towels, sheetings, blankets. The brief announcement of a $50-million loan to the Cotton Co-operative and Cotton Stabilization Corporations to enable them to hold off their cotton until 1933 has caused considerable comment.

Sugar, rubber, and cocoa prices gained further, the latter reporting record sales on the exchange. Silk prices staged a sharp rise, that forced the Kobe and Yokohama Exchanges to close.

Wheat made a slight recovery, while corn and coffee were irregular. The non-ferrous metal markets were strong.

Trends of the Markets In Money, Stocks, Bonds

Stock advance shows slight signs of tiring with weariness in bonds and irregularities in commodity movements. . . . Member bank credit expansion continues disappointing despite strong reserve position, but vast public debt refunding and interest reduction projects abroad promise to lift deflation pressure.

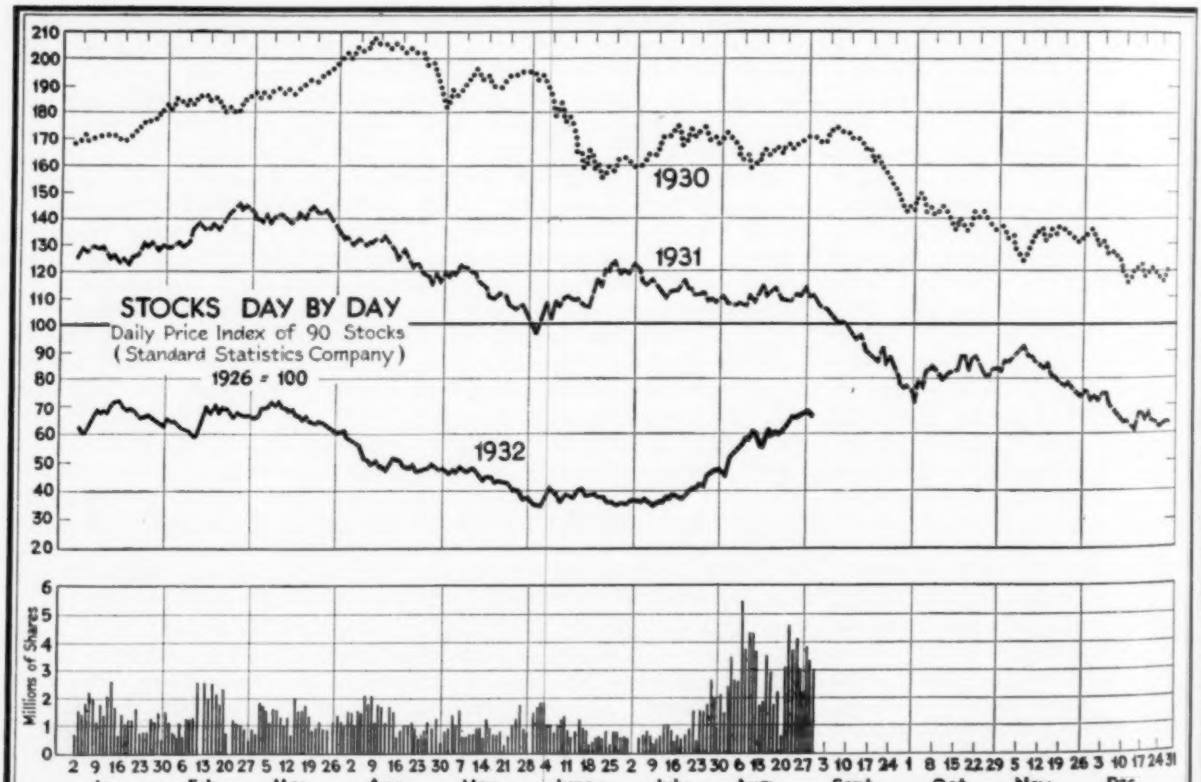
Bank Reserve Increase Brings No Expansion

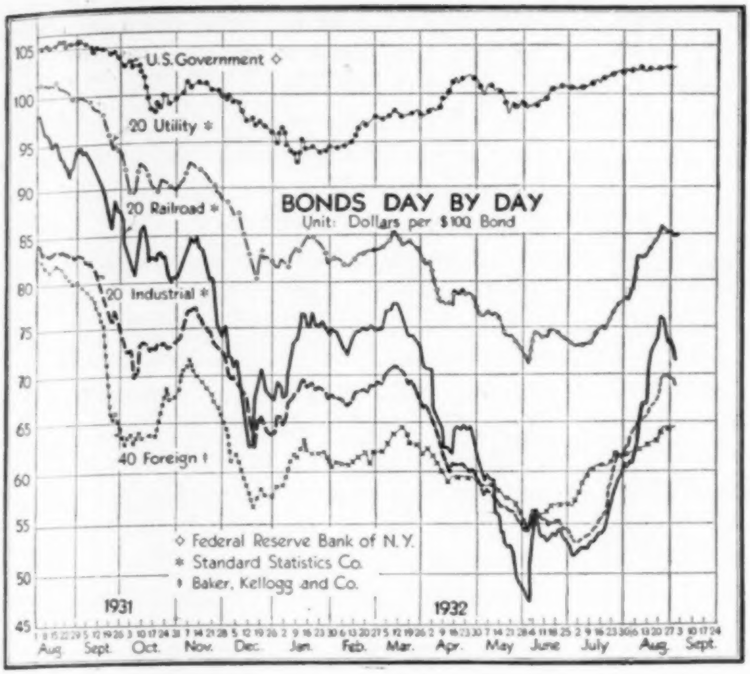
THE persistent delay in appearance of any positive signs of direct credit expansion by member banks continues to be one of the most disappointing features of the apparent reversal in the financial picture since the beginning of July. Despite the improvement in security prices and revival of speculative enthusiasm, there has not yet been even any evidence of significant expansion of security loans. During a period of business upturn from depression, especially when stimulated by security speculation, it is most usual for credit expansion to appear first in this form of rising loans on securities, and particularly increasing brokers' loans. Except for sporadic increases in bank holdings of government securities accompanying monthly or quarterly Treasury financing, the same puzzling inertia in expanding bank investments is evident.

Total loans and investments of the New York City member banks have shown wide fluctuations but almost no net change since the beginning of March and total deposits are only about as high as they were at the beginning of February. Outside New York it is difficult to see any conclusive evidence of a decisive check to the process of contraction of loans and investments and deposits, although there is some slight encouragement in the fact that there has been little net change in the level of either since the beginning of August.

All that can be said to have happened to the banking position by way of providing a background for improvement in security and commodity markets is a continued building up of member bank reserves and a consequent increase in their power to expand credit in the future. This has been due partly to a return flow of gold from abroad, the decline of currency in circulation accompanying the falling off of bank closings, the open-market purchases of government securities by the Federal Reserve banks and the exchange of less liquid bank assets for government securities through the activities of the R.F.C. These things have helped restore financial confidence and assisted in the improvement in security markets. Obviously the next necessary step must be the effective translation of increased bank resources into expanding employment through the elaborate banking and industrial committee organizations set up by the Administration and the Federal Reserve banks.

Among the more encouraging indications of the possible end of the deflation process in the international field, are the energetic plans for further debt conversion operations by the British government, discussion of similar projects for France and the United States and the revision of the German standstill agreement on short-term foreign private debts to provide for lower interest rates.





Bond Rise Wearies After Long Pull

THE bond market has shown signs of slight weariness from its steep and protracted climb, which has carried it back about 17 points on the Dow, Jones averages from the lows of early June. This almost steady improvement in bond prices has undoubtedly been one of the two most important sustaining factors in the rise in stocks, the other being the improvement in commodity prices, of which signs began to appear somewhat earlier.

Some setback in the upward movement of bonds was to be expected so long as it depended principally or altogether upon support from speculative or individual investment buying. This has apparently been the case throughout the rise, for there has been almost no net addition to bank holdings of bonds, other than governments. Rather the indications are that many of the banks, especially smaller ones outside the larger cities, have properly taken advantage of the rise in the market to strengthen their position by liquidating part of their bond holdings.

There are still no significant signs of steadily expanding activity in the new issues market, although municipals are forthcoming in fair volume and display some tendency toward more favorable rates.

The Sept. 15 Treasury financing, expected to run between a billion and a billion and a half, will be an uncertain factor overhanging the market until announcement of the Treasury plans is made after Labor Day.

Stocks Need New Business Stimulus

AFTER the steepest upswing during the whole period of rising stock prices, stocks tended to sag somewhat in sympathy with the apparent weariness of the bond market and some uncertainties which began to appear in important commodity prices. Using the broadest averages, there is good ground for believing that the most rapid period of reaction from the bear market lows may have passed, for these averages are approximately at the highs for the year and have retraced practically all of the loss during the spring of 1932.

Movements of commodity prices are now about all the market has to proceed on, and these have been the basis for successive flurries in rubber, the copper stocks, oils, and other lines affected by expectations of improving agricultural purchasing power. But it becomes obvious that the market has about reached the point where more satisfactory and definite evidence of increasing business activity after Labor Day must be forthcoming to furnish the stimulus for further advance. The indications during the pre-Labor Day week were slightly less encouraging, and the Street is inclined to feel that an important test period is approaching.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

September 7, 1932

Pickets and Prices

THE embattled farmers of Nebraska, Iowa, and the Dakotas, pathetically attempting to control the price level of farm products with clubs, must bring home to thoughtful business men, as nothing so far has, the basic problem of the depression. These desperate tillers of the soil, in the center of the richest region of rural America, once prosperous farm owners faced with foreclosure, some who have lost their land and relapsed into tenants or laborers, are a dramatic symbol of that devastating instability of monetary values which underlies the difficulties not only of agriculture but of our entire economic system during the past three years.

Though they do not know it, or only vaguely realize it, the pickets on the roads to Omaha are trying to persuade the relentless process of deflation to reverse itself. Of course they cannot do so by shattering the windshields of a few trucks that try to break their blockade, for the real juggernaut that has ground them down has been driven by forces against which they have been helpless, forces that are generated in the defects of our financial system. Little as we may sympathize with their methods, American business should not miss the significance of this episode of blind protest.

Agriculture, in this and every other country, has been, as always, the chief sufferer from deflation, not merely during the past three years but ever since the war. Heavy overhead charges for interest and taxes incurred during a period when prices were high and the value of the dollar was low have put farmers under a gruelling burden from which they could find relief as prices fell only by lowering the elastic element in their outlays, the return for their labor and their standard of living. This did not seem to matter so much to American business so long as industrial activity was sustained by the post-war expansion of foreign markets and by urban purchasing power supported by cheap food. But the time has come when the balance between rural and urban purchasing power must be righted if American business expansion is to proceed and stable prosperity be restored. This can come only as the prices received by farmers for what they sell are brought again into such a relation to the prices of the things they buy that a normal exchange of products between urban and rural workers can be re-established.

This is the inescapable problem with which our statesmen have struggled ineffectually since the war. All their efforts have so far only postponed its fundamental features, and even now neither party appears in its platform to be willing to face them. The Farm Board experiment has been largely fruitless. Its support of co-operative action, though basically constructive, is necessarily too slow in effect to meet the pressing difficulties of the situation. Further agricultural credit facilities may be immediately helpful in offsetting the worst effects of deflation but they only postpone and aggravate the real problem, which is the impossibility of bearing debt burdens at prevailing price levels or of maintaining agricultural prosperity in face of such extreme instability of the value of the dollar as has been seen in the past twenty years.

Little real progress will be made toward the solution of this crucial problem till American business begins to take an active and understanding interest in it, for its own sake. For that reason the most encouraging event of recent months has been the suggestion by President Harriman of the U. S. Chamber of Commerce that serious consideration should be given to an experiment with some of the proposals for protecting and improving the domestic price of farm products—plans which have so far been frowned upon by business men as dangerously radical. Some now realize that only something radical can go to the root of a problem so deep-seated and important as this.

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